



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

JOINT APPLIED PROJECT

INCREASING OPPORTUNITIES FOR SMALL AND LOCAL BUSINESSES AT THE NAVAL POSTGRADUATE SCHOOL THROUGH SIMPLIFIED ACQUISITIONS CONTRACTING

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June 2013

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THE NAVAL POSTGRADUATE SCHOOL THROUGH SIMPLIFIED
ACQUISITIONS CONTRACTING**

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Submitted in partial fulfillment of the requirements for the degree of

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from the

**NAVAL POSTGRADUATE SCHOOL
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ABSTRACT

The Small Business Act, the Federal Acquisition Regulation (FAR), numerous policy updates, and memorandums direct the Department of the Navy's acquisition community to maximize small business awards and increase access by nontraditional suppliers. This Joint Applied Project (JAP) examines the barriers, tools, and best practices of small business contracting in the simplified acquisition environment, with particular emphasis on targeting requirements and industries for award to small and non-traditional suppliers.

Through the Small Business Reservation (SBR), Congress intends that agencies automatically attempt to award contracts below the dollar amount of the Simplified Acquisitions Threshold (SAT) of \$150,000.00 through small business set-asides. In theory, the FAR Part 13 Simplified Acquisitions Procedures (SAP) is a highly effective tool that can overcome barriers to grow non-traditional and small business suppliers to receive experience, revenue, and positive past performance. The Department of Defense (DoD) and the Department of the Navy (DON) leaders are concerned the SAT contracts are disproportionately benefitting large firms across entire North American Industrial Category System (NAICS) categories. The SAP environment is a flexible tool in government contracting in which to procure from small business vendors.

In December 2011, the Naval Postgraduate School (NPS) was granted SAP contracting authority to award fixed firm priced contracts below the simplified acquisition dollar threshold of \$150,000.00. As a result, NPS is in an ideal position to serve as the test case for an innovative model of fundamental principles which utilizes best practices of small business contracting. Specifically, this foundational model identifies the tools and best practices to overcome the barriers to small business SAT level awards in the Open Market and Indefinite Delivery Vehicle (IDV) contracting vehicles.

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LIST OF ACRONYMS AND ABBREVIATIONS

BBP	Better Buying Power
BPA	Blanket Purchase Agreement
CLM	Contracting and Logistics Management
DAS	Defense Acquisition System
DAU	Defense Acquisition University
DEPSECDEF	Deputy Secretary of Defense
DLA	Defense Logistics Agency
DOA	Department of the Army
DOD	Department of Defense
DON	Department of the Navy
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisitions Regulation
FAS	Federal Acquisition Service
FBO	FedBizOpps
FedBizOpps	Federal Business Opportunities
FLC	Fleet Logistics Center
FLC SD	Fleet Logistics Center San Diego
FPDS-NG	Federal Procurement Data Reporting System Next Generation
FSS	Federal Supply Schedule
FSSI	Federal Supply Schedule Initiative
GBS	Global Business Supply
GSA	General Services Administration
GSA FAS	General Service Administration Federal Acquisition Service
GWPC	Government Wide Purchase Card
HubZone	Historically Underutilized Business Zone
IDC	Indefinite Delivery Contract
IDIQ	Indefinite Delivery Indefinite Quantity
IDV	Indefinite Delivery Vehicle
JAP	Joint Applied Project
LOC	Library of Congress

MAC	Multiple Award Contract
MAS	Multiple Award Schedule
MPT	Micro-purchase Threshold
MWR	Morale Welfare and Recreation
NAICS	North American Industry Classification System
NASA	National Aeronautics and Space Administration
NAVFAC	Naval Facilities Command
NAVSUP	Naval Supply Systems Command
NDAA	National Defense Authorization Act
NMCARS	Navy Marine Corps Acquisitions Regulations
NPS	Naval Postgraduate School
NRSW	Navy Region Southwest
NSAM	Naval Support Activity Monterey
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OS	Office Supplies
OS II BPA	Office Supply II Blanket Purchase Agreement
OSBP	Office of Small Business Programs
OSD	Office of the Secretary of Defense
PCR	Procurement Center Representative
PSC	Product Service Code
PTAC	Procurement Technical Assistance Center
RFQ	Request for Quote
SAM	System for Award Management
SAP	Simplified Acquisition Procedures
SAT	Simplified Acquisition Threshold
SBA	Small Business Administration
SBP	Small Business Professional
SBR	Small Business Reservation
SBS	Small Business Specialist
SBSA	Small Business Set-Aside
SCORE	Service Corps of Retired Executives

SDVOSB	Small Disadvantage Veteran Owned Small Business
SEL	Senior Executive Leadership
SEWP	Solutions for Enterprise-Wide Procurement
SPAWAR	Space and Naval Warfare Systems Command
USD AT&L	Under Secretary of Defense, Acquisition, Technology, and Logistics

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ACKNOWLEDGMENTS

This Joint Applied Project (JAP) has taken on a life of its own from the conception of idea to the maturity and refinement into a focused academic analysis of awarding to small business under the Simplified Acquisitions Threshold (SAT). This JAP is the result of endless hours exploring policy and guidance while trying to understand how and why the idealistic processes were not working effectively in practice. The end result of this JAP has been possible because it took a village of support to make me a better student, Contracts Specialist, and quasi-academic.

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I. INTRODUCTION

A. OVERVIEW

Dynamic small business plays a central role in strengthening the Department of Defense industrial base and improving our acquisition outcomes. Small businesses not only lead the Nation in innovation, they are also proven a driver of competition is a priority of mine, and also of President Obama. (Office of Secretary of Defense, 2011)

In a memorandum entitled *Increasing Opportunities for Small Business through Small Business Set-asides under the Simplified Acquisition Threshold*, the Office of the Under Secretary of Defense, Acquisition Technology, and Logistics (USD AT&L) notes that contracts at the level below the Simplified Acquisition Threshold (SAT) play an integral part in achieving these priorities.

Small businesses play a vital role in their contribution to the defense industrial base and the Department of Defense (DOD) is committed to increasing contracting opportunities to these entities. [There are] longstanding statutory requirements to set aside contracts for small businesses where the contract value is equal to or less than the simplified acquisition threshold (SAT) unless the “rule of two” is not met, and [it is] request[ed] that you double your efforts to ensure these requirements are followed consistently. (Office of Secretary of Defense, 2012)

This Joint Applied Project (JAP) is dedicated to the utilization of Simplified Acquisition Procedures (SAP) to increase small business participation under the \$150,000 threshold through the Open Market and contract vehicle targeting. The background section in this chapter describes the small business contracting environment of the Department of the Navy (DON), and the Naval Postgraduate School (NPS). Chapter I also include the objectives of this project, the research methodology, research questions, and the organization of and benefits to NPS and the DON in meeting small business goals.

B. BACKGROUND

The Department of Defense (DoD) struggles to meet current small business goals and to prevent the small business industrial base from shrinking (House Armed Services

Committee, 2012). Small businesses applying for government contracts face numerous barriers (Small Business Administration, 2012). Contracting professionals have several tools for small business procurement policy, regulation, and guidance. Below the SAT level, contracts may be awarded in a simplified and expeditious manner through definite firm-fixed price (FFP) purchase orders in the Open Market under Federal Acquisitions Regulation (FAR) Part 13 Simplified Acquisition Procedures, and through task and delivery orders issued against Indefinite Delivery Vehicles (IDVs) by various agencies under FAR Subpart 16.5 or the Federal Supply Schedule (FSS)/Multiple Award Schedule (MAS) of the General Services Administration's (GSA) Federal Acquisition Service (FAS). One of the main purposes of simplified SAT level procurements is to reach to small and nontraditional suppliers (Federal Acquisitions Regulations, 2013).

The major tools to facilitate small business SAT level awards include the Small Business Reservation (SBR) under SAT, cascading solicitations, and discretionary set-asides under the Small Business Jobs Act of 2010. These authorities are complemented by the nontraditional (low-dollar) supplier outreach programs in the Fiscal Year 2011 National Defense Authorization Act (NDAA), 124 Stat. 4310, 10 USC 2501 note, Section 891. This statute directs the DoD buying commands to work together with Procurement Technical Assistance Centers (PTACs) to reach small and nontraditional suppliers.

The DoD and DON have announced several initiatives aimed at increasing small business participation. Specifically, the Better Buying Power (BBP) Initiatives 1.0 and 2.0 require greater small business participation and increased "effective competition" where more than a single offer is made on competitive procurement requirements (USD, 2013). Further, DoD and DON Office of Small Business Programs (OSBPs) have announced strategic plans to enhance training and improve forecasting of small business opportunities (Department of Defense Office of Small Business Programs, 2011 & 2013).

C. RESEARCH OBJECTIVES

Using NPS as a test case, the DON can develop cross cutting foundational principles based on the guidance by all the different small business specific agencies to increase small business participation in small-dollar opportunities under the \$150,000

SAT level. Models can also be developed to show small evolutionary changes in small business contracting. These models identify market access barriers confronting small firms in order to reduce and remove these barriers. Specifically, these models:

- (1) Precisely identifies the market access barriers which small firms face under the current practices.
- (2) Narrows existing barriers.
- (3) Identifies agency and installation specific requirements which present realistic opportunities for small business participation and growth.
- (4) Identifies small, targeted changes in procurement procedures and practices which the DON and its buying commands can make to meaningfully increase SAT opportunities for small firms.
- (5) Leverages existing U.S. government training, counseling, and outreach resources of the Office of Small Business Policy (OSBP), Small Business Administration (SBA), and PTACs to help small firms overcome their industry-specific market access barriers.

This study has the collateral benefit of insuring DON compliance with FY 2011 NDAA Section 891, which requires that DoD buying commands establish outreach programs targeting non-traditional (i.e., small-dollar) suppliers that do not “currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000” (National Defense Authorization Act, 2010).

D. METHODOLOGY

This project identifies legal and regulatory authorities available to contacting officials under the SAT and SAP, and examines current tools and best practices to overcome existing barriers to facilitate small business awards. The project also identifies elements of the Open Market and specific contract vehicles that deter small and non-traditional suppliers trying to do business with the government.

These barriers, tools, and best practices are identified in three ways. First, the academic and policy literature is reviewed, including research studies, articles, small business best practices, current policy, statutes, and regulation. Second, FY 2012 SAT level contract awards data from the Federal Procurement Data System-Next Generation (FPDS-NG) for NPS-funded SAT level awards is analyzed. Because FPDS-NG cannot handle Navy-wide SAT level data with at a sufficient level of detail, the data analysis in

this project focuses on NPS as a representative buying command with diverse procurement requirements. These requirements cover supplies, services (including minor remodeling) and manufacturing North American Industry Classification System (NAICS) categories. Third, major regional buying commands, PTACs, and Small Business Administration (SBA) offices are surveyed.

As a predicate to FPDS-NG data analysis, this project contains an overview of the NPS procurement structure, resources, and current small business award environment with a focus on the operating budget and the amount of historical contracting dollars for the installation. The procurement entities and different levels of authority are examined, along with contracting warrant authority, IDV contracting vehicles, and the products and services of NPS procurements under SAT. Information is provided about the small business procedures of the NPS Directorate of Contracting and Logistics Management, also known as the NPS Contracting Directorate.

The NPS Contracting Directorate has an opportunity to use the tools and best practices to overcome procurement barriers and increase Navy small business awards with the collateral effect of stimulating the growth of the local industrial base. The objective of this study is to identify the foundational principles of SAT level procurement and the opportunities for small changes that can make a big difference in the utilization of small business in the SAP environment. The NPS SAP contracting authority presents an opportunity to set the example at the installation level to stimulate the economy and grow local non-traditional suppliers.

E. RESEARCH QUESTIONS

This research project is intended to answer the following questions:

1. What specific barriers prevent small business and non-traditional suppliers from obtaining DON SAT level contract awards?
2. What specific indicators should be assessed by buying commands seeking to improve their small business performance in SAT level awards?
3. How should Navy buying commands apply SAT level contracting tools and best practices to overcome barriers to small business participation?

F. ORGANIZATION

In Chapter I, the background information about this JAP, objectives of the study, the research questions, organization, and benefits of the research are provided.

Chapter II, the literature review, highlights current regulation, reports, studies, and articles regarding small business procurement. The information obtained identifies the barriers, tools, and best practices of small business awards. The FAR sections that pertain to small business contracting awards are reviewed, along with current articles and direction regarding SAP small business.

In Chapter III, the NPS SAP procurement structure is examined. This chapter investigates the operating budget and structure of procurement entities at NPS, which is one of only a few SAP only installation-specific contracting offices in the Navy Region Southwest (NRSW). The historical contracting dollars and current small business practices are analyzed.

In Chapter IV, all FY 2012 reported SAT level awards are examined to identify procurement methods, volume, characteristics, and the small business opportunity of the NPS SAP contracting dollars. Using FPDS-NG, the FY 2012 NPS SAT level contract awards are analyzed for small and large business procurement characteristics across the Open Market and IDV award categories. Research was conducted within the NRSW to identify regional small business barriers, tools, and best practices.

In Chapter V, the geographic impact of SAT level contracting practices is presented. The FY 2012 NPS SAT level awards are analyzed to test the relationship between regional vendor competitiveness and contracting methods in a comparison of San Diego and Monterey Counties. This chapter sheds light on practices with the potential for increasing NPS SAT Contracting Directorate and Monterey Bay PTAC's small business and local awards.

Chapter VI revisits the research questions, provides policy and practice recommendations, and sets forth principles for a command-level small business participation model. The chapter targets problematic characteristics (barriers) and

contracting mechanisms (tools and best practices), and concludes with recommendations for future research topics.

G. BENEFITS OF THE STUDY

The benefits of studying small business contracting are described by Presidents Barack Obama. Federal contracting policies and practices should be examined because, according to Obama,

[E]nsuring small businesses can thrive is more than economic success. It's also about who we are as a people. It's about a nation where anybody who's got a good idea and a willingness to work hard can succeed. That's the central promise of America. (Small Business Administration, 2012)

This study offers benefits to multiple stakeholders. At the systemic level, the DON and its OSBP will gain practical path and foundational principles to meet SAT level small business goals assigned to DON. Individual DON buying commands will benefit by the ability to analyze their SAT level small business performance and improve utilization of small firms in a meaningful and incremental way. The PTACs will be able to help the Defense Logistics Agency (DLA) provide better, more targeted return to the DON for DLA's matching funds investment in the PTACs near military installations. Finally, the research will help small and nontraditional suppliers in the American defense industrial base. At the local level, the beneficiaries are the NPS Directorate of Contracting and Logistics Management, and local and small businesses in Monterey County and nearby counties.

II. LITERATURE REVIEW

A. INTRODUCTION

This chapter describes the barriers, tools, and best practices regarding small business contracting that are the foundation of this project. The literature reviewed in this chapter consists of various memoranda, regulatory and legal references, articles, reports, and instructions. The buying mechanisms under Simplified Acquisitions are examined, as are the barriers to small business contracting. The tools and best practices available to overcome these barriers are also discussed.

B. DEFINITIONS

- Industrial Base: “[T]he persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States” (United States Code, 2013a).
- Technology and Industrial Base Sector: “A group of public or private persons and organizations that engage in, or are capable of engaging in, similar research, development, production, integration, services, or information technology activities” (United States Code, 2013b).
- Non-Traditional Suppliers: A firm is not a traditional supplier of the Department of Defense if it does not currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000 (National Defense Authorization Act, 2010).
- Rule of Two: A reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery (Federal Acquisitions Regulations Part 19, 2013).
- Multiple Award Contract: A multiple-award contract (MAC) is a single solicitation that can result in many awards to different companies (Federal Acquisitions Regulations Subpart 16.5, 2013).
- Firm Fixed Price: A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative

burden upon the contracting parties (Federal Acquisitions Regulations, 2013).

- Federal Supply Schedule: The Federal Supply Service (FSS) is a responsible agency working under the General Services Administration (GSA) to operate a global supply system for the federal government (Federal Acquisitions Regulations Subpart 8.4, 2013).
- Solicitation: Requests to submit offers or quotations to the Government. Solicitations under sealed bid procedures are called “invitations for bids.” Solicitations under negotiated procedures are called “requests for proposals.” Solicitations under simplified acquisition procedures may require submission of either a quotation or an offer (Federal Acquisitions Regulations, 2013).
- Micro Purchase Threshold: Acquisition of supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold [for supplies or services]. (Federal Acquisitions Regulations Subpart 2.101, 2013).

C. SIMPLIFIED ACQUISITIONS BUYING MECHANISMS

Under SAT, the basic federal contracting principles of competition, maximum practicable opportunity for small business, transparency, and value for money continue to apply. However, the mechanisms to procure according to dollar amount provide ease and flexibility to make timely acquisitions. Under FAR 13.003(a),

Agencies shall use simplified acquisition procedures to the maximum extent practicable for all purchases of supplies or services not exceeding the simplified acquisition threshold (including purchases at or below the micro-purchase threshold). This policy does not apply if an agency can meet its requirement using— (1) Required sources of supply under Part 8 (e.g., Federal Prison Industries, Committee for Purchase from People Who are Blind or Severely Disabled, and Federal Supply Schedule contracts); (2) Existing indefinite delivery/indefinite quantity contracts; or (3) Other established contracts.

Overall, when a command buys SAT level requirements, it may do so under four different contracting mechanisms:

- (1) Orders placed through the Governmentwide Purchase Card (GWPC) Program operating within the Micro-purchase Threshold (MPT) environment per FAR Subpart 13.2.

- (2) Task or delivery orders placed against the FAR Parts 8.4 Federal Supply Schedule awarded by the General Services Administration, Federal Acquisition Service (GSA FAS).
- (3) Task or delivery orders placed against Indefinite–Delivery Indefinite-Quantity Contracts (IDIQs), generally awarded as Multiple-Award Contracts (MACs) under FAR Subpart 16.5.
- (4) Purchase orders issued in the Open Market under FAR Subpart 13.3 SAP.

These contracting mechanisms have different small business participation terms. For procurements at the micro-purchase threshold (MPT) level or below, the Office of Federal Procurement Policy (OFPP) requires consideration of small businesses (OMB, 2011). Except for FAR 13.2 MPT awards, requirements under the remaining three contracting mechanisms are subject to the so-called Small Business Reservation (SBR) in accordance with FAR 19.5 as amended by the Small Business Jobs Act of 2010, Public Law 111–240 (2010). The SBR is a set-aside where requirements are presumed to be set aside for small business unless the Contracting Officer can establish that the Rule of Two will not be met. The SBR is discretionary for orders placed against FAR Subpart 16.5 IDIQs and FAR Subpart 8.4 GSA FAS FSS (Federal Acquisitions Regulations Subpart 8.405–5, 2013 & Federal Acquisitions Regulations Subpart 16.505, 2013).

1. Subpart 13.2 Actions: Governmentwide Purchase Card Program at or Below the Micro Purchase Threshold (MPT) Level

Micro-purchases do not have required clauses and should be distributed equally between suppliers. If the procurement official considers the price reasonable, no competition is required. Micro-purchases are to be paid to the maximum extent via the GWPC (Federal Acquisitions Regulations, 2013).

The MPT ranges from \$3,000 for all product purchases to \$2,500 for Service Contract Act service purchases and \$2,000 for Davis-Bacon Act construction per FAR 2.101 (Federal Acquisitions Regulations, 2013).

2. FAR Part 8.4 Orders against the Federal Supply Schedule

FAR Part 8.4 provides simplified processes for obtaining services and supplies available on the commercial market. Davis-Bacon Act construction is not considered a commercial item.

8.402 - General.

(a) The Federal Supply Schedule program is also known as the GSA Schedules Program or the Multiple Award Schedule Program. The Federal Supply Schedule program is directed and managed by GSA and provides Federal agencies (see 8.002) with a simplified process for obtaining commercial supplies and services at prices associated with volume buying. Indefinite delivery contracts are awarded to provide supplies and services at stated prices for given periods of time. (Federal Acquisitions Regulations, 2013)

a. Products: Micro-purchase Threshold (\$3,000) to the Simplified Acquisitions Threshold (\$150,000)

FAR Part 8.405 specifies when three or more MAS vendors should be contacted for quotes. The only restriction is the requirement to document reasons for not seeking competitive quotes from three or more contractors (Federal Acquisitions Regulations, 2013).

b. Services: Micro-purchase Threshold (\$2,500) to the Simplified Acquisitions Threshold (\$150,000)

Information in FAR 8.405 provides a simplified process for obtaining services.

- (i) The ordering activity shall develop a statement of work, in accordance with 8.405–2(b).
- (ii) The ordering activity shall provide the RFQ (including the statement of work and evaluation criteria) to at least three schedule contractors that offer services that will meet the agency’s needs or document the circumstances for restricting consideration to fewer than three schedule contractors based on one of the reasons at 8.405–6(a).
- (iii) The ordering activity shall specify the type of order (i.e., firm-fixed-price, labor-hour) for the services identified in the statement of work. The Contracting Officers should establish firm-fixed-prices, as appropriate. (Federal Acquisitions Regulations, 2013)

3. FAR Part 16.5 Orders against the Indefinite-Delivery Contracts

FAR Part 16.501–2 gives the general description of Indefinite Delivery Contracts (IDC).

(a) There are three types of indefinite-delivery contracts: definite-quantity contracts, requirements contracts, and indefinite-quantity contracts. The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award. (Federal Acquisitions Regulations, 2013)

IDCs are labeled as Indefinite Delivery Vehicles (IDVs) in the FPDS-NG.

According to FAR (2013), IDC/IDVs offer these advantages.

- Government stocks to be maintained at minimum level
- Direct shipment to users
- Flexibility in both quantities and delivery scheduling
- Requirements contracts may permit faster deliveries when production lead time is involved
- Indefinite-delivery contracts may provide for any appropriate cost or pricing arrangement under FAR Part 16

4. Purchase Orders Per FAR Part 13 Simplified Acquisition Procedures

FAR Part 13 provides the SAP for open market procurement of goods and services not available on FSS/GSA or IDC/IDV. In FAR 13, Contracting Officers are required to promote competition, post requests for quotes for a reasonable amount of time, and use innovative approaches.

According to FAR 13.002 (2013), there are four purposes to SAP:

(a) Reduce administrative costs; (b) Improve opportunities for small, small disadvantaged, women-owned, veteran-owned, Historically Underutilized Business Zone (HUBZone), and service-disabled veteran-owned small business concerns to obtain a fair proportion of Government contracts; (c) Promote efficiency and economy in contracting; and (d) Avoid unnecessary burdens for agencies and contractors.

These simplified procedures are designed to be efficient for both the agency and the potential contractors. The potential benefits of using SAP, according to the FAR, include the automatic small business set aside, discretionary solicitation periods, no cost and pricing data required, and maximum flexibility of the micro-purchase threshold.

FAR Part 13.003 SAT Small Business Reservation (Total Set Aside)

The SBR is a tool that Contracting Officers can use to reduce the competitive pool by allowing only small business to be considered for award.

Acquisitions of supplies or services that have an anticipated dollar value exceeding \$3,000 and not exceeding \$150,000 are reserved exclusively for small business concerns and shall be set aside. (Federal Acquisitions Regulations, 2013)

FAR Part 13.106–1 Soliciting Competition

The FAR gives Contracting Officers discretion on the amount of posting time when the requirement will not exceed the SAT. Solicitations under \$25,000 can be done orally and electronic commerce is highly encouraged (Federal Acquisitions Regulations, 2013).

FAR Part 13.106–3 Award and Documentation

When applying SAP procedures in purchase order awards, contracting officials, according to FAR 13.106–3, are required to verify price reasonableness by considering these factors.

1. Whenever possible, base price reasonableness on competitive quotations or offers.
2. If only one response is received, include a statement of price reasonableness in the contract file.

The Contracting Officers may base the statement on

- (i) Market research;
- (ii) Comparison of the proposed price with prices found reasonable on previous purchases;
- (iii) Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price;
- (iv) A comparison with similar items in a related industry;
- (v) The Contracting Officer's personal knowledge of the item being purchased;
- (vi) Comparison to an independent Government estimate; or
- (vii) Any other reasonable basis.

D. INSTITUTIONAL AND SYSTEMIC BARRIERS

1. House Committee on Armed Services Report

In this recent House Committee on Armed Services Report, *Challenges to Doing Business with the Department of Defense: Findings of the Panel on Business Challenges in the Defense Industry*, dated March 19, 2012, a Congressional panel examined the challenges experienced by defense industry vendors. It reports several areas of concern, including problems with the industrial base, small business challenges, DoD organization, and the challenges of the Defense Acquisitions System (DAS).

Defense industrial base challenges include a lack of information, guidance, and interaction from DoD concerning future contracting opportunities. Furthermore, the panel finds, DoD procurement policies do not address their practical implementation at the award level.

The panel notes that the United States lacks a solid program to secure the defense industrial base and calls for more interaction from DoD senior leadership to inform industry suppliers about government policy. Lacking direction and clear guidance, many companies shy away from investing their research and design budgets with the DoD. When DoD does engage industry in discussion, large businesses are often well-informed while small and medium businesses are left in the dark. The panel notes that the industrial base is shrinking and DoD needs to stimulate growth in the industrial vendor pool. The panel also says that DoD policies concerning procurement are not drafted with practical, award-level implementation in mind.

The organization of the Department of Defense also causes problems. The contracting workforce is understaffed and has a large knowledge gap. Solicitation periods are short and a large amount of information is requested by DoD. Even if the Small Business Specialists (SBS) at the award level know the marketplace and are involved in the acquisition, they are too understaffed to be effective. In regards to the acquisition workforce, the panel points out that acquisition professionals also face staffing and knowledge gaps.

Potential vendors experience barriers and challenges when searching Federal Business Opportunities (FedBizOpps FBO) for contracting opportunities. Companies need a dedicated staff just to respond to a solicitation. Short solicitation time periods and the immense amount of information required are a heavy undertaking for a small business.

Navigating the defense acquisitions system is difficult because federal regulations are extremely complex. Small business vendors face three sets of regulations and supplements: FAR, Defense Federal Acquisitions Regulations (DFAR), and agency specific regulations, for example Navy and Marine Corps Acquisition Regulations (NMCAR).

2. SAT-Level Specific Barriers

Barriers at the SAT level are examined in a recent article in The Washington Post, titled *Big Firms Edge Small for Billions of Dollars in Awards*, dated November 18, 2012. Procurements between \$3,000 and \$150,000 are to be reserved for small business at the contracting official's discretion. This article points out that despite the small business reservation under SAT, small businesses still face an impediment when awards going to large businesses. In 2006, 38 percent of the SAT awards went to large businesses. In the next five years, the SAT awards to large business increased: in FY 2011, 45 percent of awarded orders went to large businesses.

3. GSA FSS-Specific Challenges

The *Hearing before the House Small Business Committee, Subcommittee on Contracting and Workforce, Scheduling Success? Issues and Opportunities for Small Businesses on the GSA Schedules* dated June 7, 2012, highlights several barriers that small business face in regards to GSA Schedules MAC. The main focus is on the paperwork burden and expense of obtaining an award on a MAC schedule, and on problems associated with minimum and maximum sales goals.

First, obtaining a position on any GSA schedule is not an easy endeavor. The process and documentation needed are intense and many small business vendors pay a

third party to facilitate the paperwork and application processes. Lengthy application periods are likewise encountered.

Second, even vendors on the Multiple Award Schedule (MAS) Indefinite Delivery Indefinite Quantity (IDIQ) schedule may not make profits. According to the hearing,

Awardees are not guaranteed any set amount of sales during the five year base period of the contract, but instead, each is simply guaranteed a minimum sale of \$2,500 over those five years. (*Issues and Opportunities for Small Business on the GSA Schedules*, 2012, p. 2)

There are difficulties for businesses that do not meet the minimum sales requirement of \$25,000. “Since GSA estimates that over fifty percent of new firms will not meet the minimum sales requirements, that means many of these firms will also lose their contracts” (*Issues and Opportunities for Small Business on the GSA Schedules*, 2012, p. 11).

Third, this hearing reveals the exclusionary nature of the GSA’s Federal Strategic Sourcing Initiative (FSSI), using the example of office supplies under the GSA Schedule 75, Office Supply (OS) II Blanket Purchase Agreements (BPA). At the time of the Request for Quote (RFQ) on schedule 75, 90 percent of the vendors were small businesses (*Issues and Opportunities for Small Business on the GSA Schedules*, 2012, p. 6). As a result, only 48 vendors responded to the RFQ. The final BPA award included 13 small businesses.

The example of the OS II BPAs shows how the statutes and regulations can be a barrier to competition and non-traditional supplier growth.

Certain statutory and administrative requirements made many over 80 percent of the vendors ineligible. Some requirements, such as the requirement to be an AbilityOne authorized reseller, the requirement to comply with the Trade Agreements Act, and other environmental requirements, were not within GSA’s discretion—awarding BPA’s to companies not following these rules would have resulted in GSA itself breaking the law. (*Issues and Opportunities for Small Business on the GSA Schedules*, 2012, p. 6)

In the example of the OS II BPA, the reduction in the competitive pool due to statutes and regulation made small businesses ineligible. Overall, the hearing shows how schedules are not always helpful to small businesses. Impediments include cumbersome application and award processes and the threat of cancelation due to lack of sales.

4. Set-Aside Discretion in IDV Contracting

In the article titled *Once more, with feeling: federal small business contracting policy in the Obama administration*, dated 2013, Contracting Officers' discretion is portrayed to be both a help and a hindrance to small business awards. Kidalov and Snider highlight the issue of contracting professionals' discretion in dealing with small business, and find that mandates for when to use discretionary small business set-asides under the Small Business Jobs Act are lacking or insufficient. Contracting professionals are directed to achieve small business contracting goals by regulations that include language like "shall," "at least," "maximum practicable," and "fair share." In contrast, Section 1331 of the Small Business Jobs Act gives buying agencies discretion whether to use total set-asides and similar tools like partial set-asides and "reserves." Section 1331 gives the contracting professional the "choice" to award to a small business or other than small business. The "Rule of Two" for SAT level awards added to the Small Business Act in 1994 states that if two or more small businesses can reasonably fulfill the requirement, then the procurement "shall"—not "should"—be set aside.

The SBA, Office of Management and Budget (OMB), and DoD attempted to merge these concepts of discretion in their policies and guidance to require specific procedures and mandate for maximum practicable small business participation. Nonetheless, Contracting Officers are required deal with a patchwork of different processes and standards when they exercise discretion. Many of these standards and processes also contain justifications for avoiding small business contractors. Thus, the discretion given to Contracting Officers can be both a tool and a barrier to small business awards.

E. TOOLS AND BEST PRACTICES TO MAXIMIZE SMALL BUSINESS PARTICIPATION IN SAT-LEVEL CONTRACTING

1. The Small Business Reservation: FAR 13.003

According to FAR 13.003, if a requirement under \$150,000 is not set aside for small business, the Contracting Officer must document the contracting file with a justification and send a request for the dissolution of the SBR to the Small Business Professional (SBP) agency. In situations where the reservation is for small business and no small businesses submit a quote, the Contracting Officer must request that the set-aside be dissolved and re-solicited as unrestricted requirement. If the Rule of Two is not met as part of market research, the SBR determination can be dissolved at the Contracting Officer's discretion.

2. The Rule of Two: Mandatory Small Business Reservation for FAR Part 13 Open Market Procurements per FAR 19.502–2, Total Small Business Set Asides

FAR 19.502–2 elaborates on the FAR 13.003 directive for automatically setting aside the requirement for small business. It introduces the so-called “Rule of Two,” which requires that a SAP requirement be set aside for small business unless the Contracting Officer finds there is no reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery (FAR Subpart 19.502–2, 2013). In order to identify such firms, market research must be conducted in accordance with FAR Part 10 Market Research (Federal Acquisitions Regulations, 2013).

3. Discretionary Small Business Reservation: Small Business Jobs Act of 2010

Section 1331 of the Small Business Jobs Act of 2010 authorizes the buying agencies, at their discretion, to use total or partial small business set-asides and small business “reserves” on IDV/IDCs, including FAR Subpart 8.4 FSS and FAR Subpart 16.5 agency MACs/IDIQs. In the view of the SBA, the mandatory SBR which applies to FAR Part 13 Open Market procurements operates simply as a discretionary partial small business set-aside.

The SBA has ... seen instances where agencies will issue a multiple award contract using full and open competition, but state in the solicitation that all orders valued at less than a certain dollar threshold (e.g., \$150,000) are “reserved” for small businesses. However, we believe that this could actually be a partial set-aside, since the agency could place into a separate category all orders at this dollar threshold, but welcomes comments on this issue. 13 CFR Parts 121, 124, 125 et al., Acquisition Process: Task and Delivery Order Contracts, Bundling, Consolidation; Proposed Rule, Federal Register /Vol. 77, No. 95 /Wednesday, May 16, 2012 / Proposed Rules 29141. (Small Business Jobs Act, 2010)

4. Cascading/Tiered Strategy for Small Business Participation in Unrestricted Procurement

Cascading/Tiered Small Business Acquisition strategy is the currently available analogy to the “reserve” tool that the SBA proposes for MAC/IDIQ orders. Where market research does not identify willing and capable small firms, the existing Cascading/Tiered DFARS authority allows an agency to state in the solicitation its intent to reserve one or more low-dollar task or delivery order awards for small businesses, and to reserve an Open Market acquisition for small businesses.

This DFARS authority matches the SBA’s proposed reserve tool. The SBA’s reserve would apply to an agency that cannot find appropriate small businesses but believes some may be able to perform low-dollar task or delivery orders. Under the proposal, the MAC/IDIQ awarding agency could announce its intent to reserve an award for work within the specified dollar range if one or more small firms come forward (SBA, 2012). The DFARS authority empowers buying agencies. The SBA reserve primarily empowers the agencies that award the base contracting awards of IDIQs/MACs. Because of existing DFARS cascading authority, buying commands do not need to wait for the SBA reserve to apply cascading to their task or delivery order solicitations.

Specific provisions of DFARS 215.203–70 include the following.

- (a) The tiered or cascading order of precedence used for tiered evaluation of offers shall be consistent with FAR Part 19.

(b) Consideration shall be given to the tiers of small businesses (e.g., 8(a), HUBZone small business, service-disabled veteran-owned small business, small business) before evaluating offers from other than small business concerns.

(c) The Contracting Officers is prohibited from issuing a solicitation with a tiered evaluation of offers unless—

(1) The Contracting Officers conducts market research, in accordance with FAR Part 10 and Part 210, to determine—

(i) Whether the criteria in FAR Part 19 are met for setting aside the acquisition for small business; or

(ii) For a task or delivery order, whether there are a sufficient number of qualified small business concerns available to justify limiting competition under the terms of the contract; and

(2) If the Contracting Officers cannot determine whether the criteria in paragraph (c)(1) of this section are met, the Contracting Officers includes a written explanation in the contract file as to why such a determination could not be made (Defense Federal Acquisitions Regulations Supplement, 2013)

5. Senior Leadership Performance Accountability for Small Business Participation

The Deputy Secretary of Defense (DEPSECDEF) points out in this memorandum, titled *Advancing Small Business Contracting Goals* dated February 10, 2012 that not all responsibility for meeting small business goals falls on the Contracting Officer. In his view, Senior Executive Leadership (SEL) should be held accountable as well. For FY 2012, meeting DoD small business goals is a mandatory factor for in the “Contribution to Mission Accomplishment Performance Element for Executives.” This affects executives who acquire services or supplies, direct other DoD organizations to acquire services or supplies, or oversee acquisition officials, including program managers, Contracting Officers, and other acquisition workforce personnel responsible for formulating and approving acquisition strategies and plans.

Senior Executives in charge of commands with FPDS-NG reportable acquisition capability are being evaluated in part on their outreach to small business and the role of small business in command mission support. The use of these criteria for assessing senior leadership is a tool for a top down approach to fulfilling installation small business goals (Deputy Secretary of Defense, 2012).

6. SAP Awards Small Business Goal of 86.16 Percent

The DON memorandum, dated December 13, 2012, titled, Meeting Small Business Goals in FY 2013 specifies that 86.18 percent of all SAP awards be awarded to small business. The memo addresses several components to consider when building a small business strategy. One example is planning to execute maximum use of the set-aside authority within MAC vehicles where appropriate and applicable (Secretary of the Navy, 2012, p. 1). Another example is OSBP participation in contract service courts and measures to align outcomes with small business targets (Secretary of the Navy, 2012, p. 1).

The FY 2013 small business goals are ambitious. The 86 percent goal is a tool for contracting professionals to use in procurement planning and execution of contracting requirements (Secretary of the Navy, 2012).

7. SMALL BUSINESS SET-ASIDES ON MACS

Maximizing Opportunities for Small Business under the Simplified Acquisition Threshold dated June 6, 2012, is a dual memorandum from the OMB and SBA. This memorandum reiterates the importance of small business set-asides under SAT. An independent study shows that many SAT awards do not go to small business, so there is concern about accountability for internal controls and increased utilization of small business. Agencies are asked to review their small business practices and are also instructed to report to OMB.

In this memorandum, Contracting Officers are reminded to use SAT as tool for awarding contracts to small business. In addition, for GSA MACs, the added drop-down menu restricting procurement to small business provides another discretionary tool (Defense Procurement and Acquisition Policy, 2012).

8. GWPC Small Business Goals, Training, and Market Research Requirements

The memorandum titled, *Increasing Opportunities for Small Business in Purchase Card Micro-Purchases* dated, December 19, 2011, states that GWPC cardholders should

consider small businesses for purchases under the \$3,000 micro-purchase threshold. It is not required that these low-dollar purchases be set aside for small business (OMB, 2011). The memorandum directs agencies to adjust the cardholder training to include the importance of buying from small business. This directive gives all GWPC holders a tool to set aside purchases for small businesses.

Federal agencies are reminded of the importance of considering small businesses when buying goods and services at or below the micro-purchase threshold.¹ Although these low-dollar purchases are not subject to small business set-aside requirements (15 U.S.C. § 644(j)), this memorandum serves as a reminder that agency purchase cardholders should consider small businesses, to the maximum extent practicable, when making micro-purchases. . . . Accordingly, agencies shall update their purchase cardholder training to include appropriate consideration of small businesses and provide appropriate direction to the purchase cardholders at the next practical opportunity but no later than six months from issuance of this memorandum. Additionally, each agency's senior card manager should take advantage of [OMB] guidelines and reporting tools provided under the GSA SmartPay® program. Based on this information, agencies shall adjust cardholder training as needed to help ensure cardholders continue to place a reasonable proportion of micro-purchases with small businesses, consistent with agency mission support needs. (Office of Management and Budget, 2011)

This memorandum goes on to direct agencies to adjust the cardholder training to include the importance of buying from small business. This direction gives not only Contracting Officers but all GWPC holders the tool to set aside purchases for small businesses.

9. Installation Level Outreach to Non-Traditional Suppliers and PTAC Effective Utilization

On January 7, 2011, Section 891, Expansion of the Industrial Base, was added to 10 USC 2501 of the NDAA. Section 891 directs the Secretary of Defense to establish a program to increase the industrial base through outreach to nontraditional suppliers and through increased, more effective use of PTACs. The provisions of Section 891 are as follows (NDAA, 2010).

- (a) **Program To Expand Industrial Base Required**—The Secretary of Defense shall establish a program to expand the industrial base

of the Department of Defense to increase the Department's access to innovation and the benefits of competition.

- (b) **Identifying and Communicating With Firms That Are Not Traditional Suppliers**—The program established under subsection (a) shall use tools and resources available within the Federal Government and available from the private sector to provide a capability for identifying and communicating with firms that are not traditional suppliers, including commercial firms and firms of all business sizes, that are engaged in markets of importance to the Department of Defense in which such firms can make a significant contribution.
- (c) **Outreach to Local Firms Near Defense Installations**—The program established under subsection (a) shall include outreach, using procurement technical assistance centers, to firms of all business sizes in the vicinity of Department of Defense installations regarding opportunities to obtain contracts and subcontracts to perform work at such installations.
- (d) **Industrial Base Review**—The program established under subsection (a) shall include a continuous effort to review the industrial base supporting the Department of Defense, including the identification of markets of importance to the Department of Defense in which firms that are not traditional suppliers can make a significant contribution.
- (e) **Firms That Are Not Traditional Suppliers**—For purposes of this section, a firm is not a traditional supplier of the Department of Defense if it does not currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000.
- (f) **Procurement Technical Assistance Center**—In this section, the term procurement technical assistance center means a center operating under a cooperative agreement with the Defense Logistics Agency to provide procurement technical assistance pursuant to the authority provided in chapter 142 of title 10, United States Code.

This statute directs the DoD, agencies, and Contracting Officers to use the tools of outreach and buying command self-analysis in regard to small business non-traditional suppliers. The PTACs are specifically directed to serve as tools to increase the industrial base.

10. Planned Small Business Acquisition Briefings

To better publicize future business opportunities, NMCARS § 5219.202 - Encouraging Small Business Participation in Acquisitions provides that

Contracting activities should, when practicable, conduct briefings on planned acquisitions for small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns, and Historically Black Colleges and Universities (HCBUs) and Minority Institutions (MIs). (Navy and Marine Corps Acquisition Regulation Site, 2013 & Defense Federal Acquisitions Regulations Supplement, 2013)

11. Characteristics of Highly Successful Federal Agencies in Terms of Small Business Participation

The SBA Advocacy Report, titled; *Characteristics of Recent Federal Small Business Contracting*, dated May 2012, notes that agencies with the following characteristics have more success meeting their small business goals. Highly successful agencies have effective outreach to small business and good management of existing small business relationships. Successful agencies break out the tasks to better include the capabilities offered by small business. According to the report, an organized multifaceted plan allows an agency to have more success with small business participation. Small business goals are more likely to be met when there is a high utilization rate of new small businesses, when small business makes up a large share of the agency's contract, and when a large share of contracts are firm fixed priced. Agencies better meet small business goals if they utilize small businesses more intensely and attract new small firms to their agency. Successful agencies retain small firm participation longer. High achieving agencies lose fewer small firms each year than low achieving agencies. They may or may not spend more on services and manufacturing, but they do negotiate contracts with small firms despite conducting large procurements. Furthermore, they keep the number of task and delivery orders per contract relatively low and conduct more fixed price contracts. Finally, they utilize the socioeconomic set-aside programs more intensively and award more dollars in full and open competition (Small Business Administration, 2012, p. 9).

F. CONCLUSION

A review of the literature shows that SAT level procurements are anything but simple. Four different contracting methods exist for these procurements. The authority to use these methods is neither uniform, nor progressively hierarchical among the contracting, purchasing, and GWPC personnel communities. Further, each of these methods comes with different vendor pools, different sets of available NAICS categories, stove-piped online publicity portals, and varying competition standards such as fair opportunity or maximum practicable. Timelines vary, as do workforce training and oversight documentation practices. These four contracting methods are subject to different standards on small business set-asides, ranging from mandatory SBR to discretionary partial set-asides and reserves. Systemic barriers in the defense acquisition system, such as lack of transparency, unenforceable SBR policy, exclusionary terms on IDVs, and confusing discretionary policies further complicate and exacerbate these problems.

The tools available to procurement officials for enhancing small business participation in SAT level awards are not tailored to overcoming SAT level specific or systemic barriers. With the exception of DFARS cascading authority, these tools basically amount to recitations of existing laws and regulations.

It is clear that a fundamentally different approach is needed to improve small business participation in SAT level procurements. This approach must be narrowly tailored to each buying command's practices as well as to the specifics of SAT level environment. The information provided in this literature review shows that buying commands have an opportunity to organically increase small business participation and grow non-traditional small business suppliers.

III. SAT LEVEL PROCUREMENT ENVIRONMENT OF THE DON AND NPS SAP CONTRACTING ENVIRONMENT

A. PROCUREMENT AUTHORITIES AVAILABLE TO SUPPORT SAT LEVEL REQUIREMENTS

To support the procurement of SAT level requirements, the Federal Acquisition Workforce can utilize three categories of authorized procurement officials: the 1105 Purchasing series, the 1102 Contracting series, and the Governmentwide Purchase Card holders (for example, employees under the Miscellaneous Administration and Program 0301 series) (Office of Personnel Management, 2013).

Table 1. NPS Federal Acquisition Workforce

	1105 Purchasing Agent (GWPC)	1102 Contracting Specialist	GWPC Cardholder
*DAU Certification Required	Purchasing Level I and II	Contracting Level I, II, III	Not applicable
Products Open Market Threshold	\$3,000	\$150,000	Under \$3,000 Only Office Supplies, Shipping, and Printing
Established IDVs Threshold	\$150,000	\$500,000 Product and Services	No authority
Services Open Market Threshold	\$2,500	\$150,000	No authority

*Defense Acquisition University, 2013

Procurement authority is delegated to these officials in accordance with FAR 1.603–3 (Federal Acquisitions Regulations, 2013). Purchasing Agents and Contracts Specialists receive SF 1402 certificates of appointment, also known as warrants, specifying the scope of their authority upon completing the required Defense Acquisitions University (DAU) Level Certifications.

The 1105 Warrant (Purchasing) authorizes agents to

Place Type II oral/electronic firm fixed –priced delivery orders for supplies and services up to \$150K under contracting vehicles supporting Gov’t, DOD, or Navy-wide ordering to include wireless services, IDTC’s, GSA FSS, NASA SEWP, and other mandatory Government sources of supply for which payment will be made with the government purchase card. (SF 1402, 2013)

The 1102 Warrant SAP Warrant (Contracting) authorizes contracts specialists to

issue open market purchase orders for supplies and services NTE SAT, issue BPAs and place calls and place orders up to MOT or \$500K against fixed price IDTCs, GSA FSS, and other mandatory Government sources. (SF 1402, 2013)

B. OVERVIEW OF NPS PROCUREMENT PRACTICES

The mission of NPS is to

provide high-quality, relevant and unique advanced education and research programs that increase the combat effectiveness of the Naval Services, other Armed Forces of the U.S. and our partners, to enhance our national security. The FY 2012 NPS operating budget was approximately \$368,600,000. (Naval Postgraduate School, 2013)

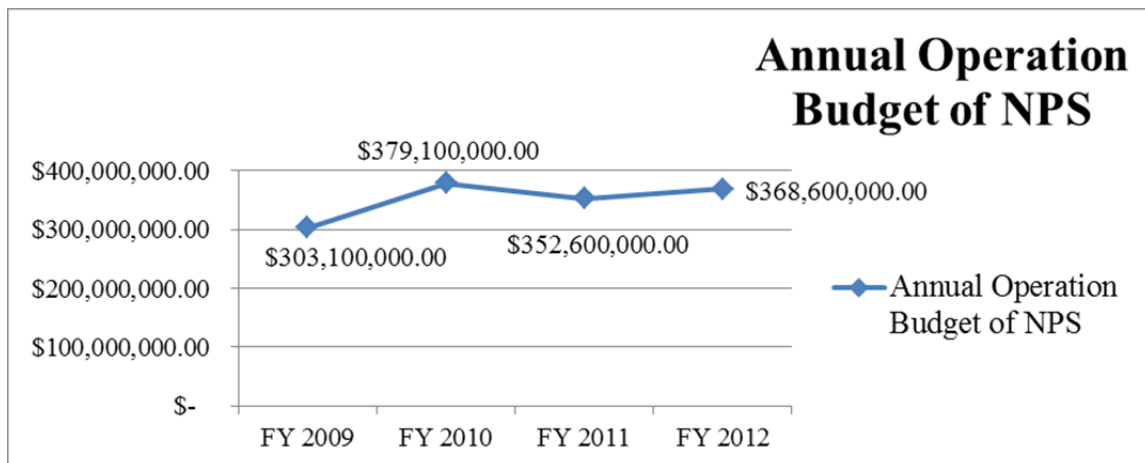


Figure 1. Historical NPS Operating Budget (NPS Annual Report, 2009–2012)

1. NPS SAT Level Contracting Structure

The contract data utilized in this study concerns actions funded and awarded by the NPS SAP Contracting Office, formally known as the Directorate of Contracting and Logistics Management.

Co-located on the installation with the NPS SAP Contracting Office are two other procuring entities: the NPS Naval Support Activity Monterey (NSAM), which is an activity of the Commander Naval Region Southwest, and Moral Welfare and Recreation (MWR), which is an activity of the Navy Exchange Command. The three entities have separate functions on the NPS campus and different oversight commands.

The NPS SAP Contracting Office executes the educational and research mission requirements. The physical facilities belong to NSAM and NPS is the resident tenant. NSAM has an onsite contracting department to facilitate the Military Construction (MILCON) activities of the installation.

2. Historical NPS Procurement Practices Leading to Creation of NPS SAT Level Contracting Office

Before the establishment of the NPS Contracts Office SAP warrant authority, all requirements over the micro purchase threshold for service support (\$2,500) were awarded by Fleet Logistics Center San Diego (FLC SD) and Naval Supply Weapons System Support (NS WSS, now part of FLC Norfolk). Research, educational and administrative mission essential support service requirements were fulfilled under a single IDIQ Time and Materials contract type award, administered by FLC SD. This contract expired at the end of 2011. NPS has had existing warrant authority to procure from the IDVs of GSA and NASA, up to \$150,000 only for fixed firm price products to be paid via Governmentwide Purchase Card. All Open Market products over \$3,000 and IDV products over \$150,000 were procured by FLC SD.

NPS was granted SAP warrant authority by FLC San Diego in December 2011. The addition of a SAP warrant provided NPS with the authority to self-support the research and education mission for requirements of needed services and products under FAR Part 13 SAP for FFP type awards under the \$150,000 SAT threshold requirements.

Requirements over \$150,000 are awarded using the approach of assisted contracting FLC SD.

3. NPS Procurement Spending Procured in FY 2011 and FY 2012

The dollars contracted out for products and services in FY 2011 and FY 2012 are roughly a quarter of the annual operating budget. Table 2 shows the amount of NPS dollars procured by NPS, FLC SD, and FLC Norfolk (formally NAVSUP Weapons System Support).

Table 2. NPS Funded Procurements for FY 2011 and FY 2012

Year	NPS Micro-Purchase Dollars	*NPS SAT Level Contracting Dollars	FLC SD Contracting Actions	NS WSS Contracting Actions	Total Amount of Dollars Procured
FY 2011	\$6,074,302.07	\$13,102,168.35	\$55,919,091.66	\$19,355,382.59	\$94,450,944.67
FY 2012	\$5,993,930.88	*\$16,743,925.74	\$53,931,587.53	\$13,149,413.47	\$89,818,857.62

*December 2011 (FY 2012) is when the NPS Contracting Directorate began awarding contracts under the NPS 1102 Warrant. This informational data is from FPDS-NG, 2013.

C. BASELINE CHALLENGES EXPERIENCED BY NPS IN MAKING SAT LEVEL SMALL BUSINESS AWARDS

The following information is based on the author's experience as an 1102 Contracts Specialist in the NPS Contracting Office Directorate.

NPS contracting officials are conscious of small business awards. The challenge is identifying small businesses that can meet the research technical specifications registered on the System for Award Management (SAM) or under the IDVs authorized by the 1105 and 1102 Certificate of Appointment procurement warrants.

The combined mission of NPS is education and research, and the majority of end users at NPS are technical subject matter experts. Unlike single mission commands, at NPS many procurement requirements can only be satisfied under FAR Part 6.302 Sole Source Awards. Market research reveals that many of these sole source vendors are only available in the Open Market. Because the requirements are often highly technical, large business sole source is the only procurement option. In addition, support for the educational mission means that many awards involve sole source requirements. Often awards are made for nonprofit entities, other educational entities, academic accreditations and memberships, all of which are categorized in FPDS as “other than small business.”

Even when a requirement is competitive, many of the vendors identified by FAR Part 10 Market Research are not available on IDVs. When conducting market research, procurement officials and end users have difficulty finding NAICS Codes and PSC that fit both the technical requirements and the small business reservation for manufacturers or small business resellers. To fulfill the mission of NPS requires high levels of technical capability and subject matter expertise. It is a challenge for procurement officials to find competition among small businesses to meet the Rule of Two.

The NPS SAP Contracting Directorate does not have an OSBP, SBP, or SBS located within the Monterey area. The OSBP overseeing NPS is physically located at FLC SD and the SBP is extremely responsive to NPS small business inquiries. The challenges that NPS procurement officials experience in market research and solicitation planning are a result of minimal small business competition. Simply put, the technical requirements of the procurement make it hard to find small business suppliers and resellers. To date there is no local small business vendor pool or NAICS and PSC portfolio for NPS SAP requirements.

D. CONCLUSION: NPS AS A TEST CASE FOR SAT-CENTRIC SMALL BUSINESS PROGRAMS

The NPS, with its virtually singular focus on SAT level procurements and a mission that spans the spectrum of DON enterprise requirements, is an ideal test case for evaluating the effectiveness of SAT level contracting mechanisms, identifying barriers to

small and nontraditional business participation, and recommending incremental changes to small business fundamentals, agency guidance, and other tools. As a result, NPS can be an agency that develops specific foundational principals for increasing small business awards can be designed, tested, and deployed which the DON can use for command-level improvement in small business participation.

IV. DATA ANALYSIS: NPS AWARDS AND COMPARATIVE SMALL BUSINESS PRACTICES WITHIN NRSW COMMANDS

A. INTRODUCTION

The NPS funded SAT procurements from 2012 are examined, with a focus on small and large business awards, competition and the issue of single offer awards.

B. FY 2012 FPDS-NG REPORT

The SAT procurement spent in FY 2012 by NPS totals \$19,875,422.19, involving 692 total SAP purchase and task order awards. For the purposes of this study, only the procurement actions under the SAT level of \$150,000 are examined.

The data consists of the FY 2012 SAT contracting actions reported in FPDS-NG. This report is used to show the amounts of small versus large business in the SAT awards. The analysis also compares the Open Market procurement environment and the IDVs that NPS is authorized under its 1105 (Purchasing Agent) and 1102 (Contracting) warrants. In addition, the FY 2012 SAT FPDS-NG Report provides the information for comparing sole source and competitive procurements.

C. FREQUENCY OF NPS-FUNDED SMALL BUSINESS SAT AWARDS

The FY 2012 SAT FPDS Report shows the amount of dollars and number of awards for small and large businesses.

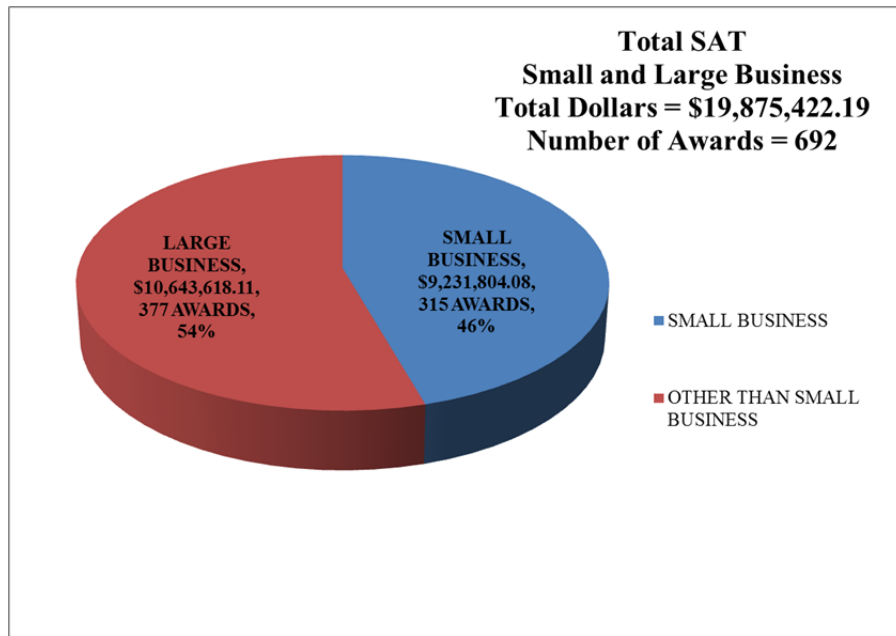


Figure 2. Small Business vs. Large Business SAT Level Awards

Analysis. Out of 692 awards, large business received 62 more awards than small business. The percentage difference of awards between small business (46 percent) and large business (54 percent) is only eight percent.

Finding. The FY 2013 small business spending goal under SAT is 86.16 percent. To meet the goal in FY 2013, at least 40 percent of current SAT spending would have to be redirected to small business. Thus, the targeted small business spending value would have to equal \$17,124,663.75, an increase in value of \$7,892,859.67. Current small business spending would have to almost double. Data analyzed below addresses the feasibility of attaining this goal.

D. IDV AND OPEN MARKET NPS FUNDED SAT AWARDS' FAVORABILITY TO SMALL BUSINESS

The FY 2012 SAT FPDS Report provides data regarding small and large business awards under IDVs and in the Open Market.

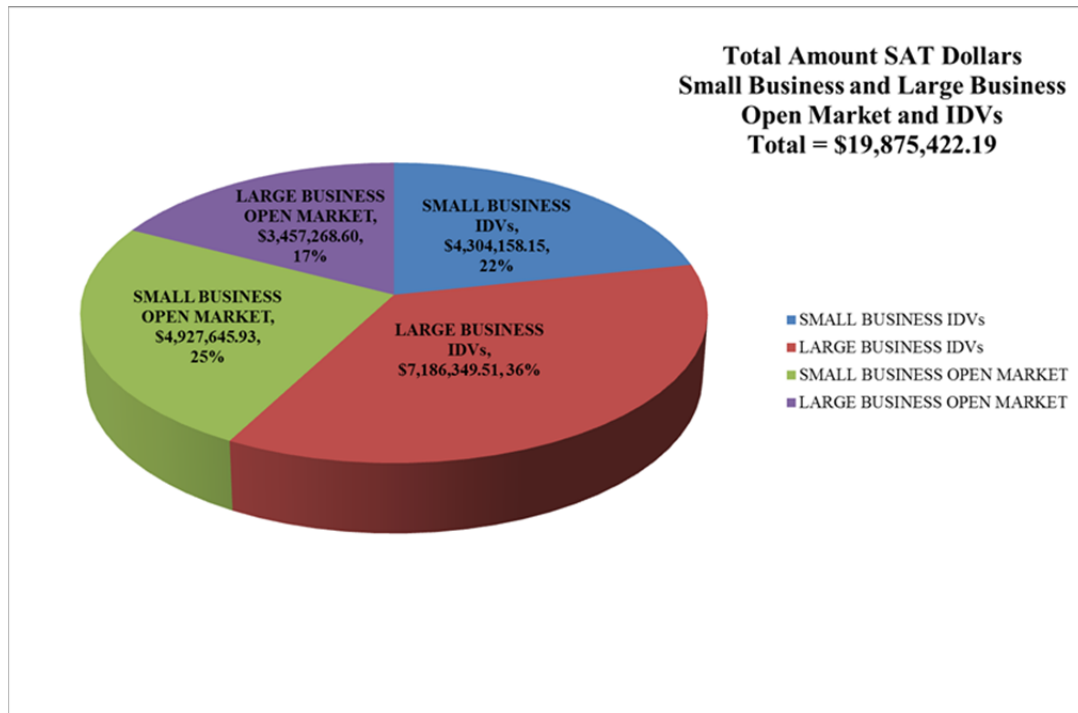


Figure 3. SAT Level Award and Spending Distribution of Small and Large Businesses Under IDVs and the Open Market

Analysis. The FY 2012 FPDS Report categorizes the 692 awards by open market and specific IDVs. The small and large business information in Figure 3 is broken down by Open Market and IDV small and large business awards. Small business has the larger amount of Open Market awards, 25 percent of all awards, while large business Open Market awards comprise 17 percent of the total. Large business has 36 percent of awards under IDVs, compared with 22 percent of IDVs awarded to small business.

Finding. FAR Part 13 Open Market procurements are more favorable to small business, while SAT level IDV orders are generally more favorable to large business. Out of all the 2012 NPS SAT awards, more awards are made to small businesses in the competitive environment. Small businesses obtain more awards in the open market and large businesses dominate the IDVs.

E. FREQUENCY OF USE OF SAT SMALL BUSINESS RESERVATION SET-ASIDES IN OPEN MARKET AND IDVS

The FY 2012 SAT FPDS Report provides information on the number of awards set aside for small business, the small business socioeconomic categories, and instances when no set-asides are used.

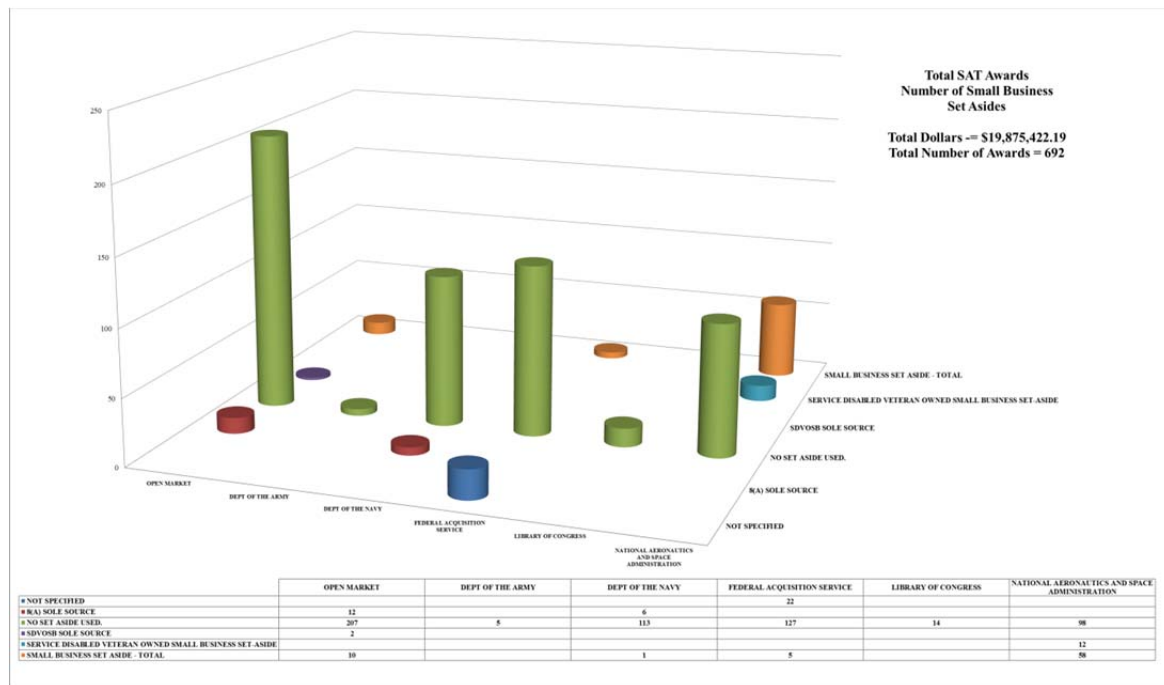


Figure 4. Total Number of SAT Level Awards Under Small Business Set-Asides

Analysis. Figure 4 illustrates the breakdown of the FY 2012 SAT NPS awards according to Small Business Set Asides (SBSA). In all of the NPS SAT awards, in 85 percent (562), no set-asides were used, while 15 percent (130) were set aside within various types of small business categories. In both the IDVs and Open Market, the dominant method is not to use set-asides. Section 8(A) Sole Source is used in the DON IDV and Open Market. Only in the Open Market is the category of Service Disabled Veteran Owned Small Business (SDVOSB) used as a sole source. National Aeronautics and Space Administration (NASA) Solutions for Enterprise-Wide Procurement (SEWP) is the IDV that used the most SDVOSB set-asides. SBSA are used in the Open Market, DON, FAS, and NASA SEWP. Of the total Small Business Total Set Asides, NASA utilized the most small business set-asides and socioeconomic categories, resulting in 58

awards. The data shows that the small business set-aside is an effective tool to increase small business awards.

Finding. Small business set-asides are underutilized in SAT level procurements overall, and especially in the FAR Part 13 Open Market awards. Use of set-asides in IDVs is mixed, depending largely on the terms established by the IDV agency. Certain IDVs such as NASA SEWP and GSA FSS provide excellent SAT level set-aside opportunities, while DON, Department of the Army (DOA), and Library of Congress (LOC) IDVs are less set-aside friendly.

F. SMALL BUSINESS GOALS ACHIEVABILITY AND TARGETED ACCRETION OF AWARDS: EVIDENCE FROM NAICS SUBSECTORS AND PSC PORTFOLIOS

Data below shows that of the \$19,875,422.19 total SAT level spending, small business may be capable of fulfilling up to 77.29 percent of the requirements value. This figure is achieved by reviewing prior spending for indicators of small business capabilities to perform work previously performed by large firms. Small business capable share is derived by adding the share of exclusive small business awards, the total share of spending across categories where small businesses dominate, and double the small business share in categories share data also shows that small businesses generally succeed in obtaining SAT level awards by relying on NAICS codes, while large businesses are more successful in finding and capturing SAT level awards by PSC codes.

The products and services under the NPS SAT range from a wide variety of subsectors. For instance, small business vendors have exclusivity in 13 NAICS subsectors ranging from Metal Working Machinery to Musical Instruments/Phonographs/Home Radios. The procurement value of these small business exclusive NAICS subsectors is 1.58 percent of the total amount of SAT dollars. The exclusive small business share is higher across PSCs, reaching 2.47 percent.

In regards to the large business exclusive NAICS categories, awards to large firms totaled 0.40 percent. Large business vendors are under 12 different NAICS subsectors ranging from General Science/Technology R&D to Ships and Marine Equipment. For

large business-exclusive PSCs, awards totaled 1.95 percent. In many of the NAICS Subsectors and PSC Portfolios there is overlap between large and small businesses. Small business did have a higher percentage, 63.58 percent of the total awarded SAT dollars in the NAICS subsectors where small business vendors dominated over large business. In the subsectors that large businesses dominated over small business the percentage of total dollars is lower at 34.44 percent. With regards to PSC portfolios, large businesses dominated 51.29 percent of total spending, while small firms dominated only 44.28 percent of total spending. Small business spending amounted to 15.27 percent of PSCs dominated by large firms and 28.41 percent of PSCs dominated by small firms.

PSC CATEGORIES	ACTUAL SPENDING	LB ACTUAL SHARE	SB ACTUAL SHARE	TOTAL SHARES	SB CAPABLE SHARE
SMALL BUSINESS ONLY	\$491,748.58		2.47%	2.47%	2.47%
LARGE BUSINESS ONLY	\$387,998.82	1.95%		1.95%	
LB-MAJORITY TOTAL	\$10,193,904.15			51.29%	
LB-MAJORITY LARGE BUSINESS	\$7,159,320.27	36.02%			15.27%
LB-MAJORITY SMALL BUSINESS	\$3,034,583.88		15.27%		15.27%
SB-MAJORITY TOTAL	\$8,801,772.64			44.28%	
SB-MAJORITY LARGE BUSINESS	\$3,096,299.02	15.58%			15.58%
SB-MAJORITY SMALL BUSINESS	\$5,705,473.62		28.71%		28.71%
TOTAL	\$19,875,422.19	53.55%	46.45%	100.00%	77.29%
NAICS CATEGORIES	ACTUAL SPENDING	LB ACTUAL SHARE	SB ACTUAL SHARE	TOTAL SHARES	SB CAPABLE SHARE
SMALL BUSINESS ONLY	\$313,756.13		1.58%	1.58%	1.58%
LARGE BUSINESS ONLY	\$79,896.00	0.40%		0.40%	
LB-MAJORITY TOTAL	\$6,844,762.08			34.44%	
LB-MAJORITY LARGE BUSINESS	\$5,639,103.81	28.37%			6.07%
LB-MAJORITY SMALL BUSINESS	\$1,205,658.27		6.07%		6.07%
SB-MAJORITY TOTAL	\$12,637,007.98			63.58%	
SB-MAJORITY LARGE BUSINESS	\$4,924,618.30	24.78%			24.78%
SB-MAJORITY SMALL BUSINESS	\$7,712,389.68		38.80%		38.80%
TOTAL	\$19,875,422.19	53.55%	46.45%	100.00%	77.29%

Table 3. Goal Achievability Range

G. IMPACT OF SOLE SOURCING ON SMALL BUSINESS UTILIZATION IN NPS FUNDED SAT AWARDS

The FY 2012 SAT FPDS Report provides the data needed to compare sole source and competitive environments.

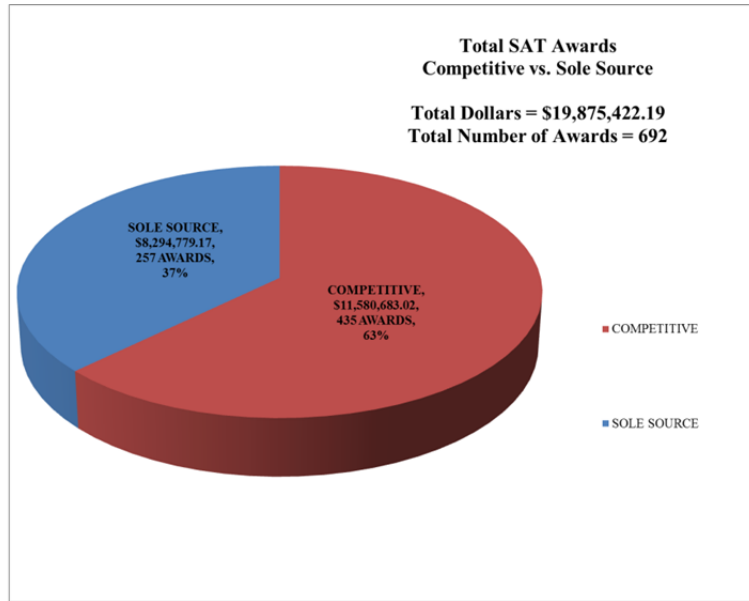


Figure 5. Competitive vs. Sole Source SAT Level Awards

Figure 5 shows that 63 percent of all SAT awards are competitive and 37 percent are sole source.

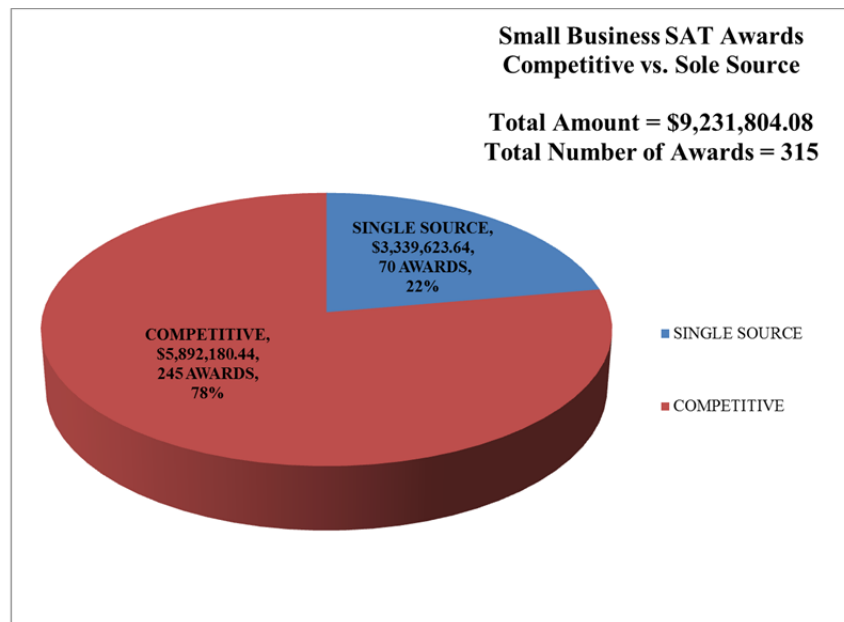


Figure 6. Small Business Competitive vs. Sole Source SAT Level Awards

Analysis. Figure 6 shows the breakdown of competitive and single source awards to small business. Competitive procurements result in the majority of the awards to small

business, 78 percent, totaling \$5,892,180.44. Slightly under a quarter (22 percent) of the small business awards are sole source, totaling \$3,339,623.64.

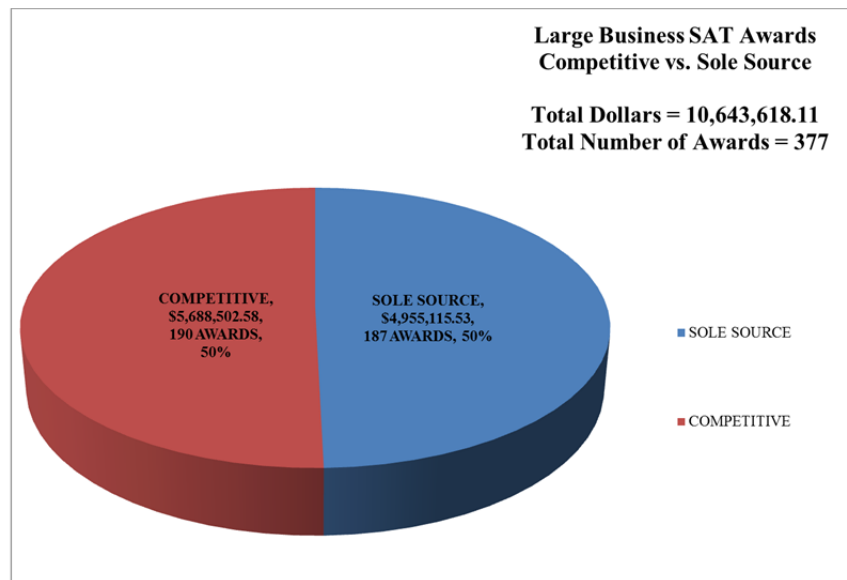


Figure 7. Large Business Competitive vs. Sole Source SAT Level Awards

Analysis. Figure 7 shows the results for large business competitive and sole source awards. Awards to large businesses are close to a 50/50 split between competitive and sole source. The dollar amount difference is \$733,387.05 in favor of competitive procurements.

Finding. Sole source SAT level awards predominantly benefit large business, while small businesses overwhelmingly benefit from competition. Figures 6 and 7 show that small businesses receive more awards in the competitive environment than large businesses. In addition, slightly under a quarter of the requirements can be exclusively fulfilled by a sole source small business. In regards to large business, half of the requirements are exclusively sole-sourced.

This data shows that reaching the DON SAT small business spending goal of 86.16 percent may be constrained by large business sole source requirements. Small business suppliers capable of meeting these requirements would have to emerge in order to attain the goal. Even if all of the \$5,688,502.58 awarded competitively to large business was fulfilled by small businesses, the result still falls short of the targeted

increase in small business spending of \$7,892,859.67. The feasibility gap would equal \$2,204,357.09, or approximately 11.09 percent of total spending. This reduces the DON-wide SAT small business goal to an absolute best case scenario of 75.01 percent.

A buying command looking to increase small business participation in its SAT awards would presumably exclude large business sole source requirements from its potential small business requirements pool and concentrate on requirements awarded competitively to large firms.

H. REALISTIC COMPETITION: COMPARISON OF NPS FUNDED SMALL BUSINESS AND LARGE BUSINESS SAT AWARDS BY MULTIPLICITY OF OFFERS

The FY 2012 SAT FPDS Report gives information regarding the number of offers received for each award. Small and large business awards are compared by the number of offers received and the frequency of multiple offers.

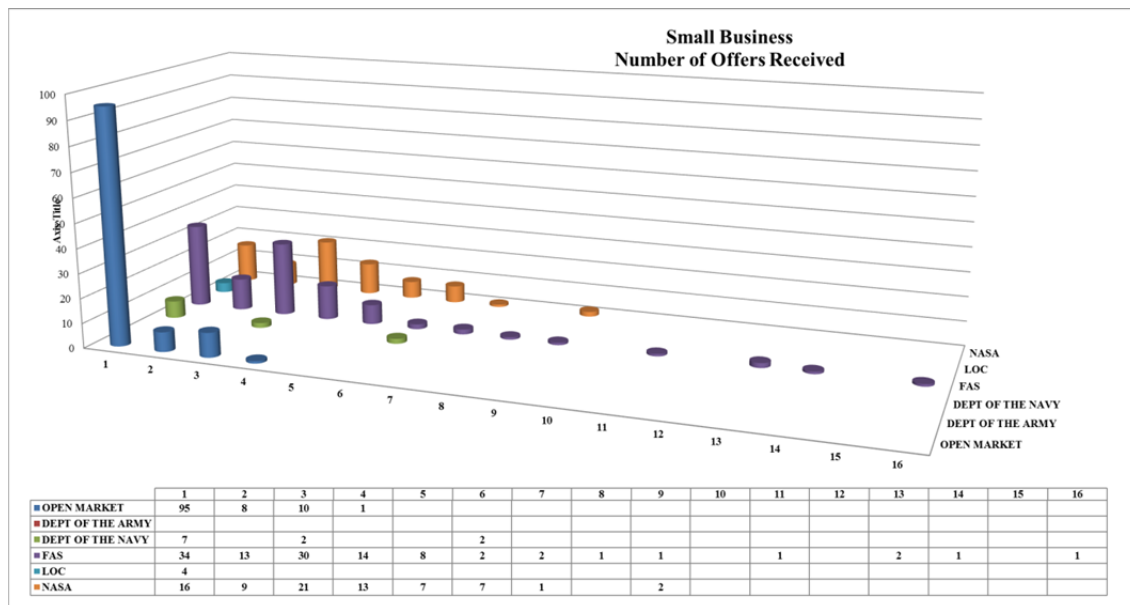


Figure 8. Small Business Number of Offers Received in SAT Level Awards

Analysis. Figure 8 show that small businesses receive a majority of their awards by winning multiple-offer competitions. Over half (51 percent) of small business awards involved multiple quotes in the competitive environment. Of the 51 percent, 10 percent of

awards had two offers, 20 percent had three offers, and 21 percent had three or more offers. In contrast, single offer awards accounted for 49 percent of awards received by small business. The IDVs that are most competitive are FAS and NASA, while LOC and DON are the least competitive. In regards to the Open Market, the dominant result is only one offer received.

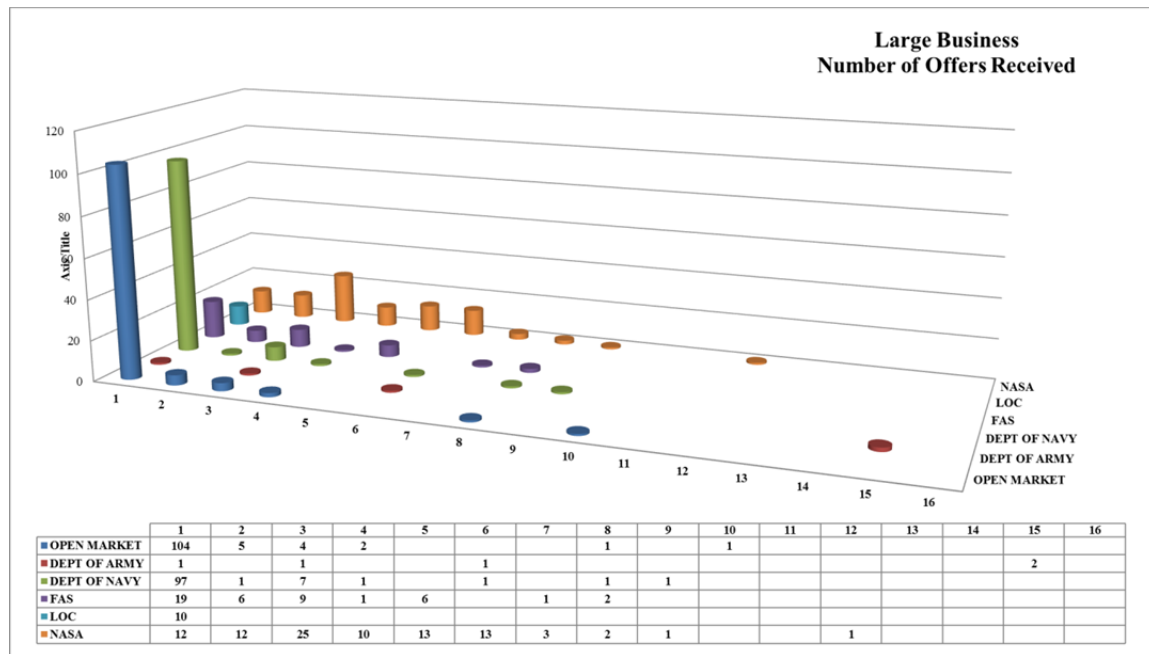


Figure 9. Large Business Number of Offers Received in SAT Level Awards

Analysis. Figure 9 show that large businesses received significantly fewer multiple-offer awards than small businesses. Large businesses received 65 percent of their SAT level awards in single offer procurements. Of the other 35 percent of awards to large business, six percent of the awards have two offers, 12 percent have three offers, and 17 percent have more than three offers. The Open Market environment receives the highest number of single offers.

Finding. Greater small business participation is ensured through contracting vehicles, procedures, and solicitation terms that result in more than one offer.

I. REALISTIC COMPETITION: SMALL BUSINESS FAVORABILITY OF NPS FUNDED SINGLE OFFER SAT AWARDS

The FY12 FPDS Report breaks down single offer awards into intended sole source awards and ostensibly competitive requirements that lacked real competition. Further filtering of this data identifies the extent to which single offer awards occurred on specific IDVs and in the Open Market, and whether this type of awards favors or disfavors small business.

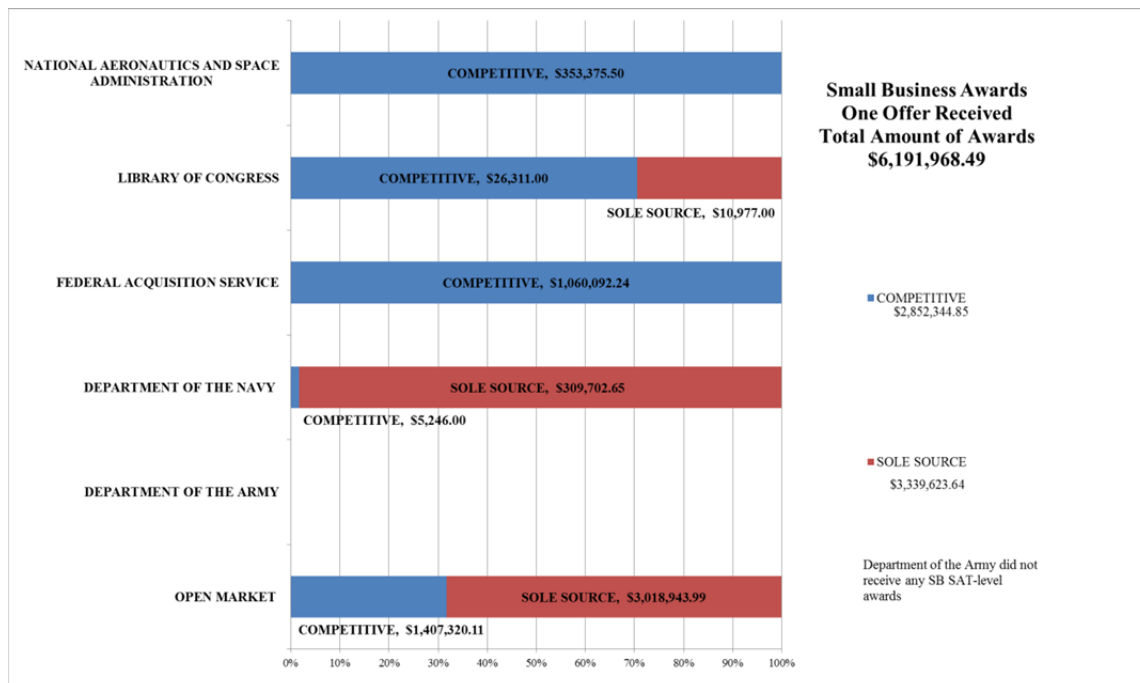


Figure 10. Small Business One Offer Received SAT Level Awards

Analysis. The report showed that the category of only one offer received applies to a large majority of awards to both small and large business. Figure 11 shows only one offer awards. The IDVs of NASA, FAS, and the DOA are the most competitive. In the competitive environment, small businesses obtained more single offer awards than large businesses. The DON is the least competitive of the IDVs, and for both small and large business gave most of its awards to a single source.

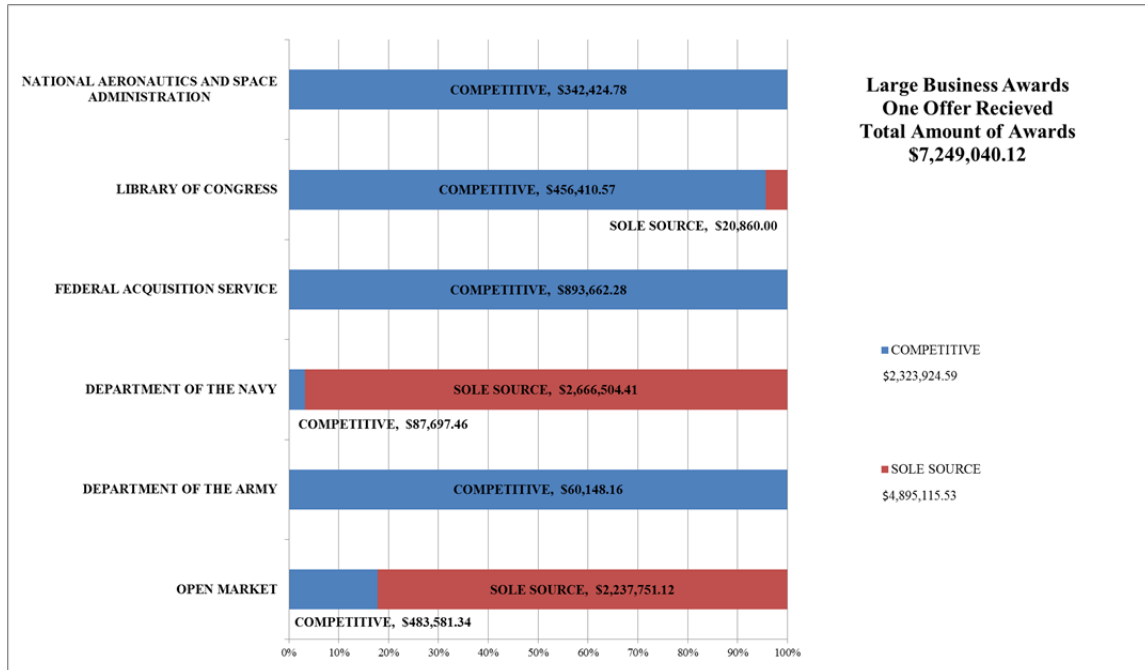


Figure 11. Large Business Single Offer Received SAT Level Awards

Analysis. Figure 11 shows the Open Market awards in comparison to the IDV awards in the instances where only one offer was received by large businesses resulting in 243 awards. Of these 243 awards to large business, \$2,323,924.59 are in the competitive environment and \$4,925,115.53 are awarded to a sole source. In the Open Market, the number of sole source awards dominates. The DON has the fewest competitive awards and the greatest number of sole source awards. The Library of Congress is mostly competitive, and a small amount of the awards are single source. For the large business awards, DOA, NASA, and FAS are 100 percent competitive.

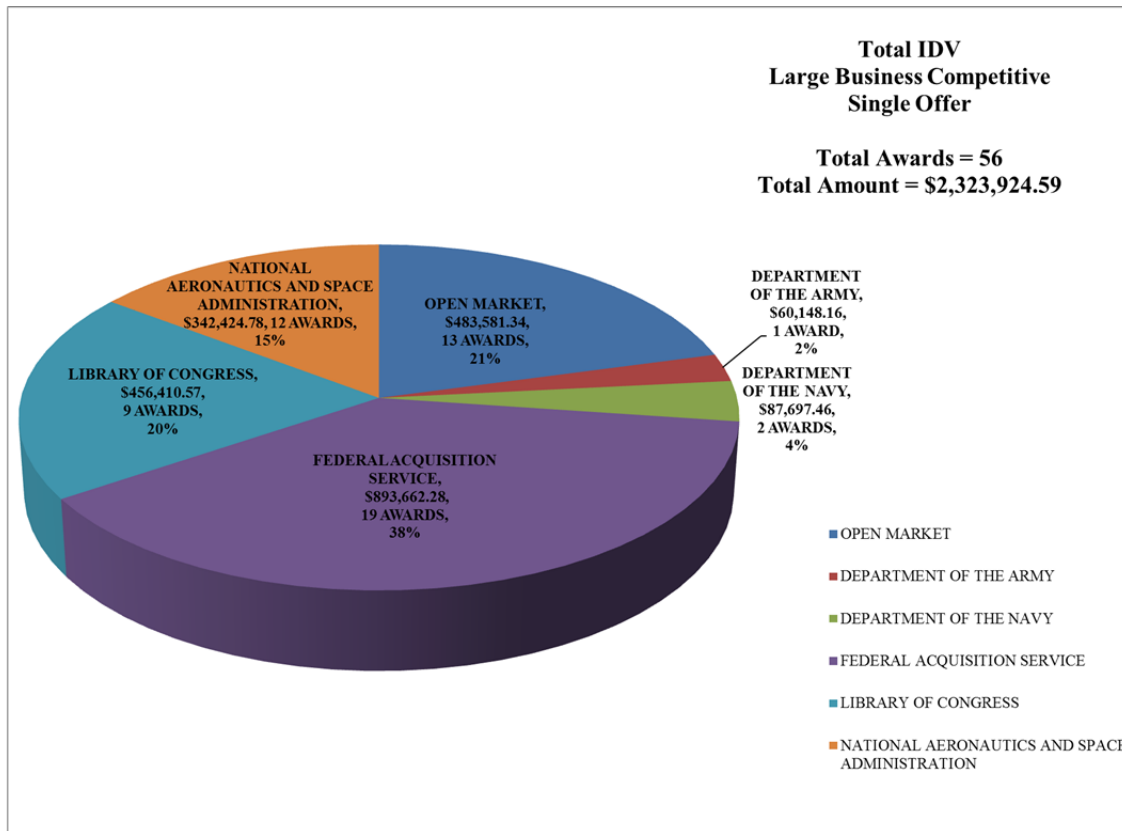


Figure 12. Large Business Competitive Single Offer SAT Level Awards

Finding. Overall, SAT level procurements which result in single offers are more favorable to large business across all indicators depicted in Figure 12, i.e., both dollar value and number of awards. This data reveals a potential source of untapped small business opportunities, namely, single offer competitive awards made to large business. These 56 awards account for \$2,323,924.59, or 11.69 percent of total SAT level spending.

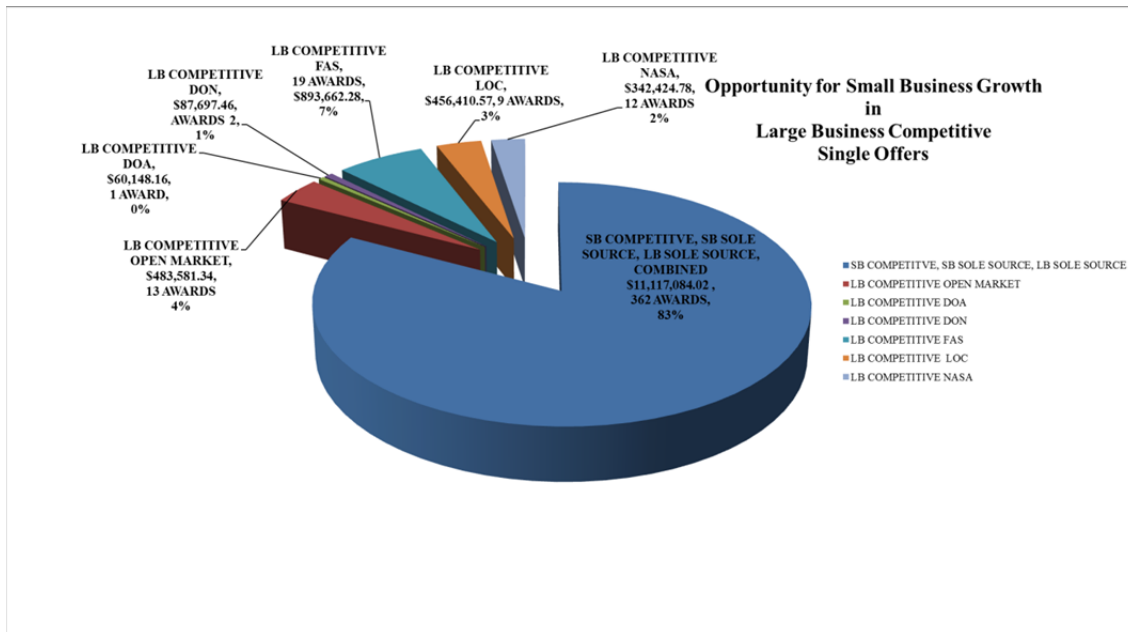


Figure 13. Opportunity for Small Business Growth and Cannibalization of Large Business Competitive Single Offer SAT Level Awards

Finding. Figure 13 clearly shows that IDVs restrict competition to the detriment of small business. IDV orders account for \$1,840,343.25 or 79.19 percent of single offer competitive large business awards, which is 9.26 percent of total SAT level spending. Therefore, a buying command could attract small business suppliers by revising requirements (including NAICS and PSC codes), solicitation response times, and contracting vehicles, and/or by cascading solicitation procedures.

J. COMMON THREAD ANALYSIS OF MATURE SMALL AND LOCAL BUSINESS PROGRAMS

In conducting research for this Joint Applied Project, the three main organizations involved in small business support, award, and oversight were interviewed with the approval of the NPS Internal Review Board. The region surveyed is in Southern California: Port Hueneme, Glendale, Riverside, and San Diego. The entities examined are the Navy awarding activities Office of Small Business Programs (OSBP), SBA District Office Procurement Center Representatives (PCR), and PTAC Program Managers (PM).

The Navy commands are selected for their similarities to NPS with regard to procurement, research, complexity of service, and the products needed to carry out the

mission of each. All three of the Navy commands use the SeaPorte IDIQ, Global Business Supply (GBS), GSA, and the Open Market in addition to the mandatory FSSI for office suppliers (awarded by FLC SD) and BPA for furniture and installation (awarded by FLC Norfolk). NPS cannot utilize the SeaPorte IDIQ or GBS because these vehicles are not for utilization under the SAT. NPS does also utilize the FSSI for office supply and BPA for furniture (Naval Supply, 2013).

All of the installations examined have the resources of an installation specific Office of Small Business (OSB) Small Business Professional (SBP), a District SBA office within a reasonable distance, and a PTAC supporting small business vendors as a neutral intermediary. Basic information and mission specific characteristics for each buying command are described below.

1. Fleet Logistics Center San Diego

Office of Small Business Program, Director
Location: San Diego, California

- Logistics, Business and Support Services to Fleet, Shore and Industrial Commands
- Procurement, Contracting and Transportation Services
- Technical and Customer Support
- Defense Fuel Products and Worldwide Movement of Personal Property
(Naval Supply, 2013)

2. NAVFAC, Engineering Expeditionary Warfare Center Acquisition (EXWC)

Office of Small Business Program, Director
Location: Port Hueneme, California

- Research and Development Services and Hardware
- Equipment Prototypes
- Non-Standard and Technically Complex Items
- Anti-Terrorism/Force Protection
- IT Evaluation, Development, Security and Transformation
(Naval Facilities, 2013)

3. Space and Naval Warfare Systems Command

Office of Small Business Program, Director

Location: San Diego, California

- Engineering Services
- Computer Systems Design Services
- Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument
- Manufacturing
- Other Computer Related Services
- Custom Computer Programming Services
- Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)

(Space and Naval Warfare Systems Command, 2013)

4. Small Business Administration

Procurement Representatives

Los Angeles District Office serving Los Angeles, Santa Barbara, and Ventura Counties

Location: Glendale, California

San Diego District Office serving San Diego and Imperial Counties

Location: San Diego, CA

The Small Business Administration supports the Los Angeles and San Diego regions through location specific District Offices of the SBA Pacific Region IX

The District Offices offer the following support for small business.

- Financial assistance for new or existing businesses through guaranteed loans made by area bank and non-bank lenders.
- Free counseling, advice and information on starting, operating and expanding a small business through Service Corps of Retired Executives (SCORE) Counselors to America's Small Business.
- Assistance to businesses owned and controlled by socially and economically disadvantaged individuals through the Minority Enterprise Development Program.
- Women's Business Ownership Representatives to advise women business owners.
- Special loan programs for businesses involved in international trade.

- Veteran's business counseling and information about SBA guaranteed loans.

(Small Business Administration, 2013)

5. Procurement Technical Assistance Center PTAC Program Managers

Locations: Riverside Community College District PTAC College, Corona, California; San Diego Contracting Opportunities Center, San Diego, California

The primary function of the PTAC is described as

[providing a] bridge between buyer and supplier, bringing to bear their knowledge of both government contracting and the capabilities of contractors to maximize fast, reliable service to our government with better quality and at lower costs (Association of Procurement Technical Assistance Centers, 2013).

The PTAC is authorized and administered by the DLA under a funds matching grant. The business structure of the PTAC is as follows.

The Procurement Technical Assistance Program (PTAP) was authorized by Congress in 1985 in an effort to expand the number of businesses capable of participating in the Government Marketplace. Administered by the Department of Defense, Defense Logistics Agency (DLA), the program provides matching funds through cooperative agreements with state and local governments and non-profit organizations for the establishment of Procurement Technical Assistance Centers (PTACs) to provide procurement assistance (Association of Procurement Technical Assistance Centers, 2013).

PTACS offer these services

- Determining suitability for contracting
- Securing necessary registrations
- Researching procurement histories
- Networking
- Identifying bid opportunities
- Proposal preparation
- Contract performance issues
- Negotiating and interfacing with the agency
- Developing a cost-accounting system
- Bonding and interim financing

- One-on-one assistance
- Bid matching services
- Federal contractor certification

(Association of Procurement Technical Assistance Centers, 2013)

Table 4 combines the responses of the personnel interviewed on the Navy installations—SBPs, SBA PCRs, and PTAC Program Managers—with regard to their views on small business barriers, tools, and best practices.

BARRIERS Data Responses Similar	TOOLS Data Responses Similar	BEST PRACTICES Data Responses Similar
<ul style="list-style-type: none"> • Small business (SB) not enough past performance • SB not resourced to turn in quality responses to RFQs and RFPs • IDV award process and required documentation overwhelming for SBs • SAP and micro-purchase not visible * Buying agency short posting times * Acquisitions workforce overwhelmed and need SB training Low attendance at outreach event 	<ul style="list-style-type: none"> • Outreach • SAP/SAT • Collaboration/other agency support • PTAC’s one-on-one vendor support • SBA PCR • SB as subcontractors * SB set-asides on MACs * Agency senior leadership support 	<ul style="list-style-type: none"> • SB try for smaller product buys • Agency tasks are under SAT • SBP/PCR relationship with buying command • SB vendor working groups and round table discussions • SB knowing what the buying command buys and how • PTAC builds relationship with buying commands’ SBP * Agency training modules * GWPC holders and purchasing agents trained in procedures, policy, and guidance

* Indicates suggestions identified in the literature review.

Table 4. Common Thread Analysis of Mature Small and Local Business Programs

K. CONCLUSION

Before the establishment of the NPS SAP Contracting Office, NPS had a subzero base for reporting and analyzing small business awards. The FY 2012 SAT FPDS-NG report presents the baseline data on small and large business awards during the inaugural fiscal year of the NPS Contracting Office. The barriers to small business awards in the NPS SAT level environment are identified in the analysis of this data.

The concrete barriers to small business revealed by the data analysis are listed below. These barriers are also referenced as theory in the literature review, and are identified in the NRSW survey (2012).

- More SAT level awards are awarded to large business than small business.
- NAICS subsectors and PSC Codes show overlap in small and large business capabilities.
- IDVs are more supportive of large business and pose impediments to small business.
- Single offer awards from large business in competitive awards are detrimental to small business growth.
- The 86.16 percent SAT level small business goal is unattainable because almost 25 percent of the sole sourced awards go to large businesses.

The baseline assessment in this study provides a starting point for the NPS SAT level specific environment. The data analysis suggests specific opportunities for small business growth. Tangible and attainable opportunities for future small business maximization include the following.

- Procurement solicitation planning based on historical data of NAICS subsectors and the identified vendor pool in IDVs and the Open Market
- Increase utilization of small business set-asides in RFIs and RFQs
- Installation self-assessment and consolidation of baseline NAICS codes, subsectors, and correlated PSC codes
- Small business cannibalization of large business in overlapping NAICS subsectors and PSC Codes
- Increased use of cascading Open Market competitive procurements when historical IDV procurement resulted in large business awards
- Reassessment of IDVs and historical NAICS codes to decrease one offer awards

- Development of installation specific Small Business Policies to develop uniform discretionary methods for small business maximization
- Opportunity to develop robust baseline small business training for the Contracting, Purchasing, and GWPC procurement workforce to master and maximize small business awards policy and procedures

While the NPS FY 2012 SAT data provides installation specific data and information, the survey of the NRSW offers insights on established, thriving small business environments. The buying commands and installations are not the only factor behind the small business success of the NRSW. Small business support elements are a mix of agency OSBPs and dedicated SBP that engage in collaboration and outreach participation with the SBAs and PTACs of the NRSW. In comparison with the NRSW, the NPS SAT level environment is immature and unsophisticated. The common barriers, tools, and best practices identified by professionals in the NRSW that have increased small business awards over time address small business procurements with strong foundational principles. By spotlighting the proven tools for overcoming barriers and mirroring the best practices of the NRSW, the NPS Contracting Directorate can incorporate proven methods in their basic principles for SAT level contracting.

V. GEOGRAPHIC IMPACT OF NPS FUNDED SAT LEVEL PROCUREMENTS

A. INTRODUCTION

In this chapter the economic impact of NPS SAT level awards are analyzed. The award methods and distribution within the state of California are examined. The environments of San Diego County and Monterey County are compared. This chapter shows the economic impacts of procurement resources on the small and large business vendor pools in local geographic areas.

B. NATIONWIDE IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS

The FY 2012 SAT FPDS Report provides information on the specific geographical areas where NPS's \$19,874,422.19 SAT dollars are awarded. Figure 14 shows that the distribution of this spending, to a large measure, depends on which contracting method is used by NPS to fulfill its requirements: Open Market or IDVs from the DON, DOA, NASA, LOC, and FAS.

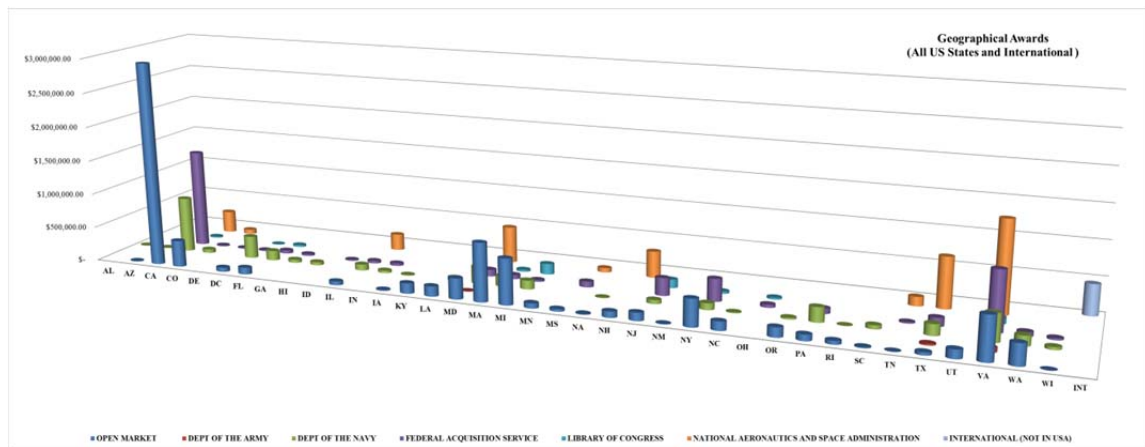


Figure 14. Geographic Distribution of SAT Level Awards

Analysis. Figure 14 shows the geographical location of all the vendors receiving NPS SAT level awards. Most of the 50 states received some type of award via the Open Market or IDVs. California and Virginia, home to major awarding FLCs, have the biggest

mix of Open Market and IDV use in awards. Massachusetts and Michigan also benefit, mostly from the NPS SAT level Open Market awards with some economic impact of awards via IDVs. The NASA IDV has an economic impact in the states of Maryland, Virginia, and Texas, and California. Under the FAS IDV, the NPS SAT level awards have an impact in California, New Jersey, New York, Texas, and Virginia.

Finding. Fulfilling requirements through FAR Part 13 Open Market purchase orders tends to benefit the state where the buying command is located (in this case, California). On the other hand, fulfilling requirements through IDV task or delivery orders tends to direct SAT level contracting dollars out of state. This relationship holds even where the home state has a very sophisticated defense industry.

C. STATEWIDE IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS

FY 2012 FPDS data illustrates the relative success of California vendors in obtaining NPS funded SAT level awards.

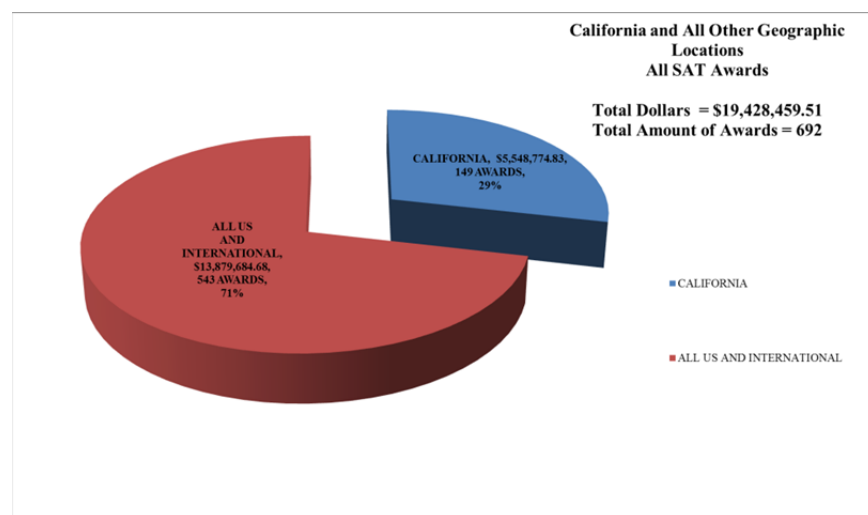


Figure 15. California vs. All Other SAT Level Awards

Analysis. Figure 15 shows that 29 percent of the total 692 awards are in the state of California; thus 71 percent of procurement dollars are leaving the state of California.

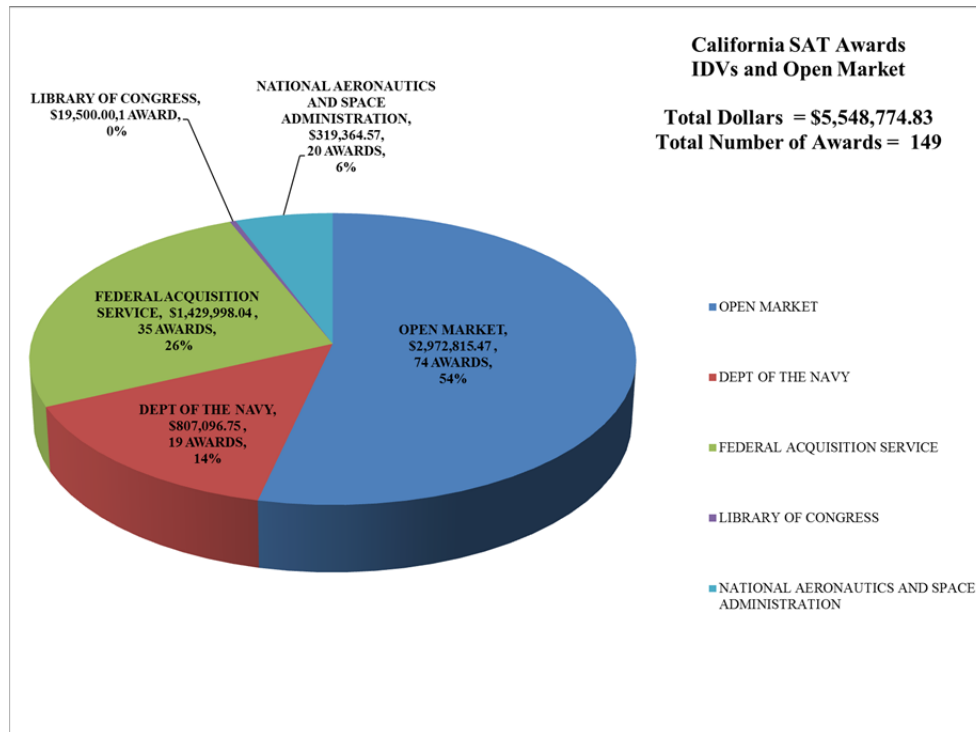


Figure 16. Distribution of California SAT Level Awards: Open Market vs. IDVs

Analysis. Figure 16 shows that most of the SAT level requirements are awarded to California vendors in the Open Market, 54 percent. The other 46 percent of California vendor awards are made up of FAS, DON, NASA, and a tiny amount to Library of Congress. Of the IDVs, just more than a quarter, 26 percent, of the vendors are FAS, 14 percent are DON, and NASA makes up six percent. The share to LOC is at zero percent, because the amount (\$19,500) is too small for an assigned percentile.

Finding. Figures 15 and 16 show that national and international businesses aggressively respond to and win, SAT level awards despite their low value. California vendors win less than a third of all NPS SAT level awards. However, the chance that California vendors will receive an NPS SAT award in the Open Market is greater than 50 percent. Potential non-traditional Open Market small business suppliers should be targeted to do business with NPS in the SAT level Open Market environment.

D. LOCAL IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS ON SURROUNDING COUNTIES (MONTEREY, SANTA CRUZ, AND SAN LUIS OBISPO COUNTIES)

The NPS is located in Monterey County. The neighboring counties of Santa Cruz and San Luis Obispo also receive NPS SAT level awards.

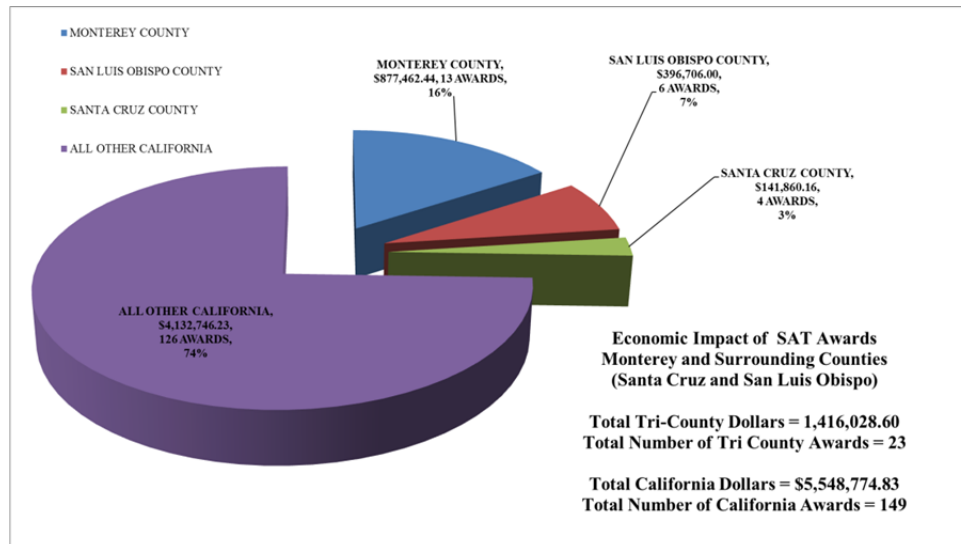


Figure 17. Economic Impact of the Tri-County SAT Level Awards (Monterey, Santa Cruz, and San Luis Obispo Counties)

Analysis. Figure 17 shows the amount of awards and SAT level procurement dollars that NPS is spending in the geographic areas adjacent to Monterey. The tri-county region of Monterey County and the two closest counties of San Luis Obispo and Santa Cruz receives about 26 percent (\$5,548,774.83) of all procurement SAT level dollars that NPS spends in California.

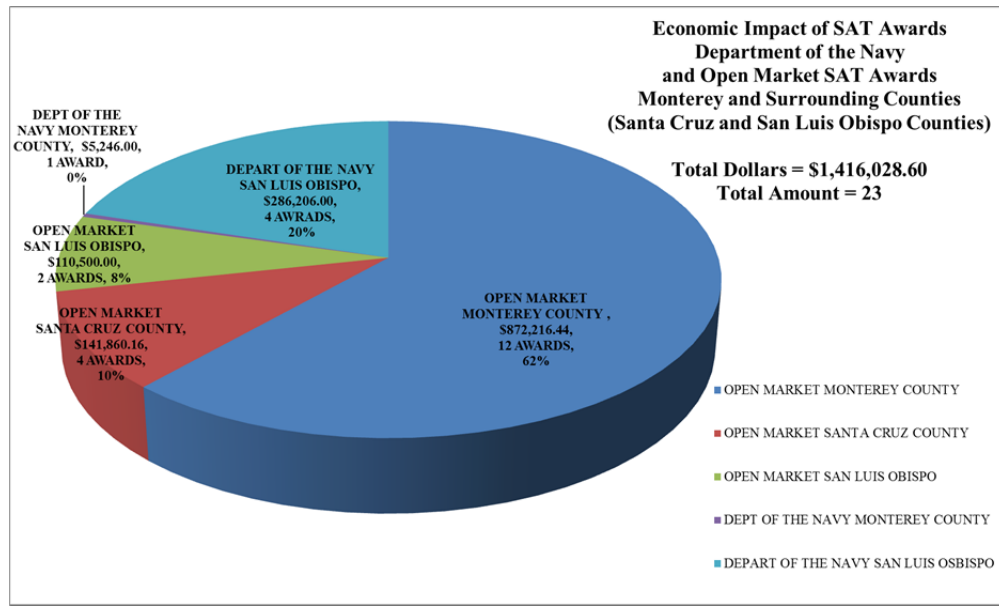


Figure 18. Tri-County SAT Level Awards: Open Market vs. IDVs

Analysis. Figure 18 shows that when the tri-county region is examined to see which counties are utilizing the Open Market and DON IDV, the Open Market dominates the NPS SAT awards in Monterey County. Only in San Luis Obispo County are more dollars procured under the DON IDV. Santa Cruz County vendors are utilized only in the Open Market. Monterey County is mostly utilized in the Open Market with few dollars coming from the DON IDV.

Finding. Vendors from outside the surrounding counties aggressively respond to, and win, NPS SAT level awards. In contrast, Monterey, Santa Cruz, and San Luis Obispo vendors win less than a fourth of all NPS SAT level awards. Neighboring county vendors have a 20 percent chance of securing orders from any agency's IDVs. Monterey and Santa Cruz vendors seem in dire need of assistance in accessing Federal IDV opportunities. Vendors in nearby counties have about an 80 percent chance for a SAT level award in the Open Market. Potential non-traditional Open Market small business suppliers should set the goal of doing business with NPS in the SAT level Open Market environment.

E. COMPARATIVE ECONOMIC IMPACT OF NPS FUNDED SAT LEVEL AWARDS: SAN DIEGO COUNTY VS. MONTEREY COUNTY

The economic impact of San Diego County and Monterey County are compared because of the volume of California NPS SAT level awards that go to San Diego County vendors. The areas are resourced similarly, with both SBA presence and area specific PTACS. In addition, each area does have a federal and local government concentration. However, the method of NPS SAT level awards is very different.

1. Economic Impact of NPS Funded SAT Level Awards

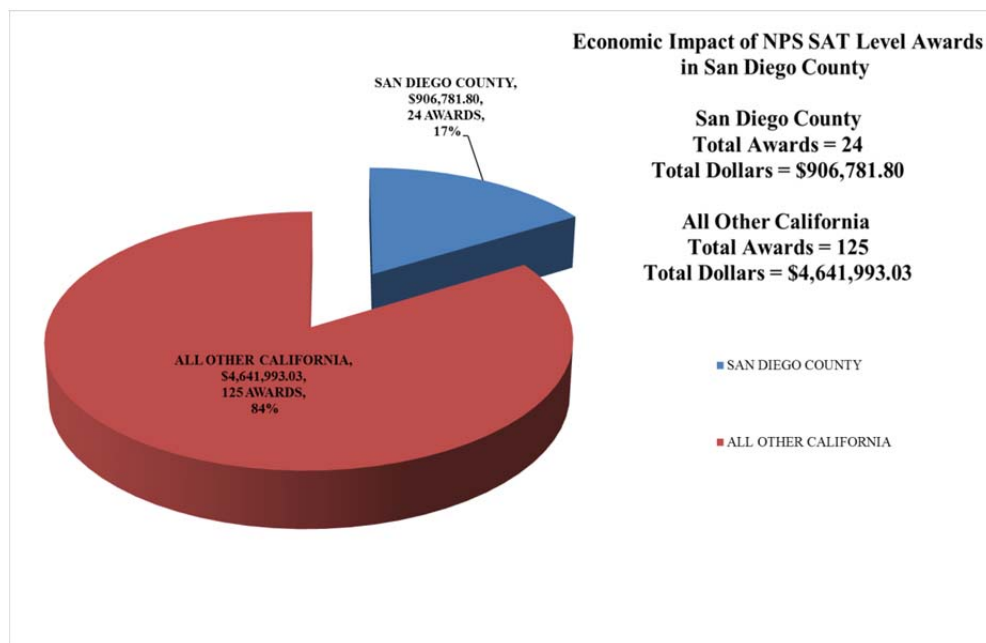


Figure 19. San Diego County NPS SAT Level Awards

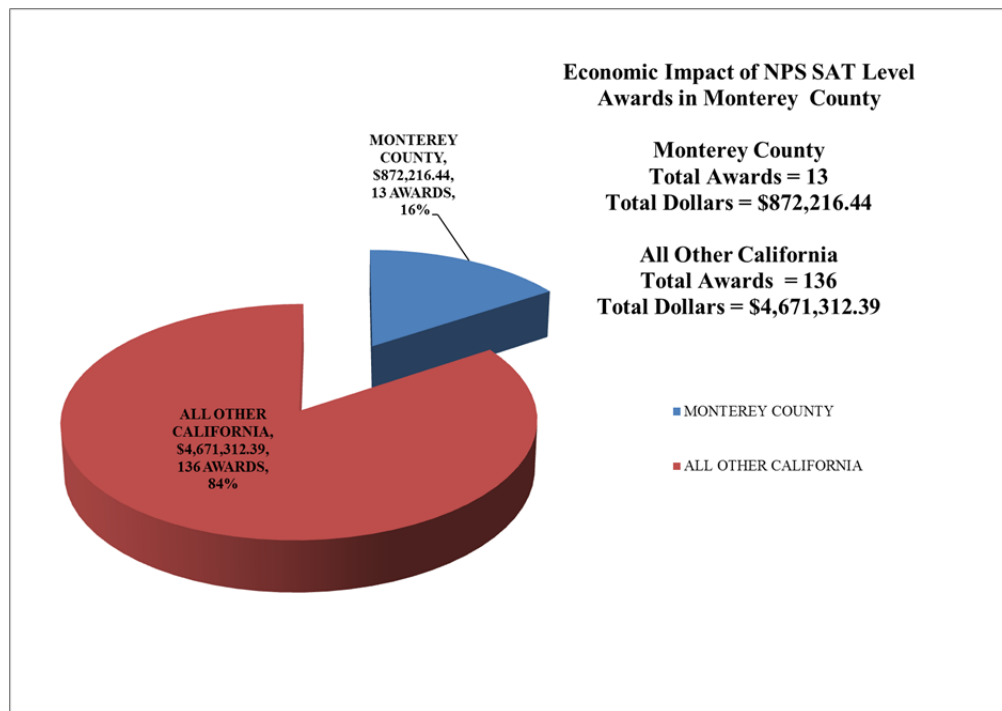


Figure 20. Monterey County NPS SAT Level Awards

Analysis. Figures 19 and 20 show that NPS SAT level awards have essentially the same economic impact on San Diego and Monterey Counties despite the 440 miles separating the two locations. The specific difference in percentage is one percent in favor of San Diego (17 percent) over Monterey (16 percent). NPS is committing more SAT level dollars to San Diego County compared with Monterey County in the amount of \$34,565.36, or three percent.

San Diego County received 24 SAT level awards while Monterey County received only 13 of the 149 SAT level awards to vendors in the state of California. San Diego County is receiving almost double the number of NPS SAT level awards. There is an inverse relationship in terms of average SAT level award size: \$37,782.57 for San Diego County vendors versus \$67,093.17 for Monterey County vendors.

Finding. NPS SAT level awards appear to constitute low-hanging fruit for statewide and regional vendors. Although awards to local vendors are larger in average value than awards to statewide and regional vendors, those outside vendors receive awards from NPS twice as often as local vendors.

2. **Comparative Review of Contracting Mechanisms (Open Market and IDV) for Monterey- and San Diego-Based NPS Funded SAT Level Awards**

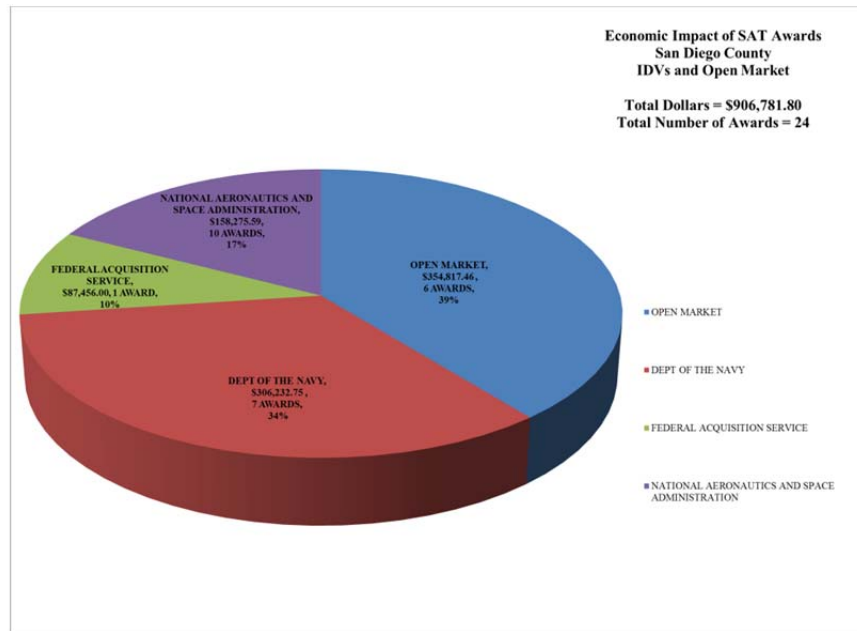


Figure 21. San Diego County SAT Level Awards: IDVs vs. Open Market

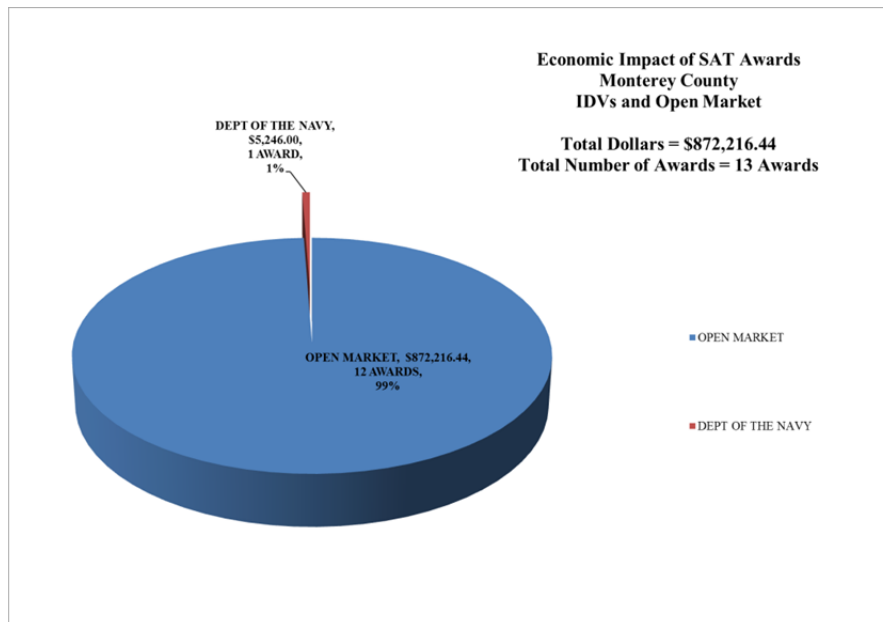


Figure 22. Monterey County SAT Level Awards: IDVs vs. Open Market

Analysis. Figures 21 and 22 show that San Diego and Monterey County have a very different mix of SAT level awards in terms of IDV and Open Market utilization. San Diego County vendors received awards under FAS, NASA, and DON IDVs. Indeed, San Diego County vendors received 61 percent of their SAT award volume under these IDVs, or \$551,964.34. Only 39 percent of their award volume was through the Open Market, or \$354,817.46. In Monterey County, local vendors received 99 percent of their NPS SAT level awards, or \$866,970.44 in the Open Market, with just one percent of their awards coming through the DON IDV orders. Monterey County vendors received one award under the DON IDV, while San Diego County vendors received 18 awards on the IDVs of NASA (ten awards), FAS (one award), and DON (seven awards). With regards to Open Market awards, San Diego County vendors received just six awards, while Monterey County vendors received 12.

Findings. Monterey County lacks a competitive vendor pool pre-qualified for IDVs that are commonly used by NPS; especially for the IDVs of NASA, FAS, and DON. Monterey County vendors beat their statewide and regional competitors in the Open Market, but lose in IDV procurements. Because IDV opportunities are limited exclusively to IDV-prequalified vendors, it is likely that Monterey County vendors are simply unaware of these opportunities. If a local vendor hopes to obtain any NPS SAT awards, the Open Market environment provides the most opportunity in the short run. In the long run, the PTAC must target its support for Monterey County vendors to become prequalified for the IDVs used by NPS.

3. Comparative Participation by Business Size and County in NPS Funded SAT Level Awards

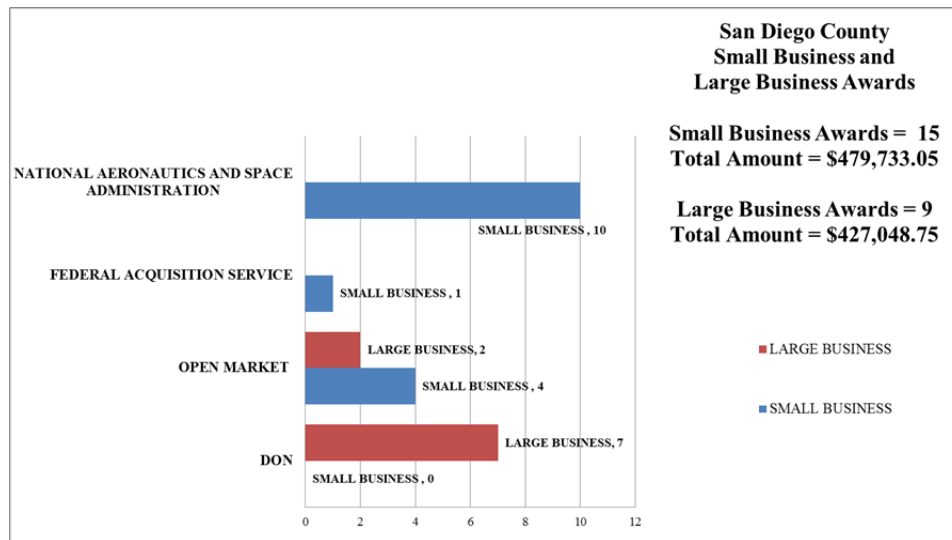


Figure 23. San Diego County SAT Level Awards: Small Business vs. Large Business

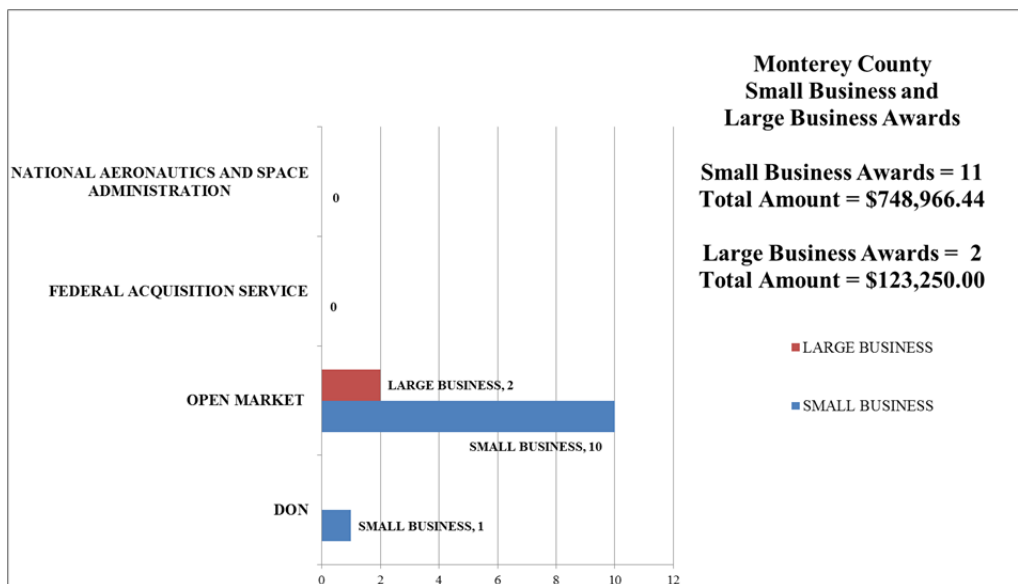


Figure 24. Monterey County SAT Level Awards: Small Business vs. Large Business

Analysis. Small businesses dominate Monterey County SAT level awards in frequency and volume, with 11 awards valued at \$748,966.44 going to small business and just two awards valued at \$123,250 going to large business. With regards to contracting

mechanisms, both large business awards were made in the Open Market, while ten small business awards were made in the Open Market and one award was under the DON IDV.

In San Diego County, large businesses received nine awards valued at \$427,048.75, while small businesses received 15 awards valued at \$479,733.05. The majority of large business awards (seven) were made on under the DON IDV, with only two awards in the Open Market. In contrast, the vast majority of small business awards were made under the IDVs from NASA (ten awards) and FAS (one award).

Findings. San Diego businesses, both small and large, are more competitive than Monterey County businesses in terms of award frequency. Overall, SAT level awards going outside Monterey County are more likely to result in awards to large businesses. The dominance of San Diego County large businesses is primarily due to awards on the DON IDV, which tend to favor large statewide and regional vendors over local Monterey County small businesses. The competitive edge of San Diego County small businesses over Monterey County small businesses is largely due to awards under NASA and FAS IDVs. To remedy this situation and carry out the Section 891 outreach mandate, the Monterey Bay PTAC must intentionally focus its services to prequalify Monterey County firms to do business in relevant NAICS categories for NASA, FAS, and DON IDVs.

4. Resources of San Diego County vs. Monterey County

San Diego County has a mature federal environment with 135 federal, state, and local government agencies (PTAC 2013). The NRSW is headquartered in San Diego and the area is also the location of FLC SD and SPAWAR, two major Navy buying commands. The area is saturated with DoD specific agencies and installations. Small business vendor support organizations and advocates are strong and numerous within the county.

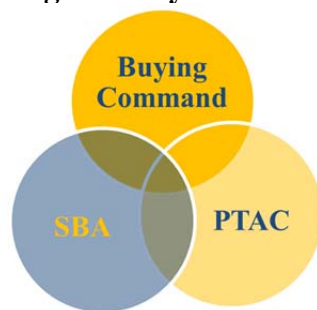
Monterey County is also saturated with government agencies, but on a smaller scale. In a recent economic study, the government is listed as one of Monterey County's four economic pillars, specifically the large federal presence and spending on military educational and research installations. Communication between federal agencies, local

government, and area businesses should be an area of concentration for improvement (SRI, 2011).

	San Diego County	Monterey County
PTAC	San Diego Contracting Opportunities Center <ul style="list-style-type: none"> • In existence since 1995 • Locally accessible to government installations • 20 sponsors commit support funds matching grant with DLA • Online training 	Monterey County Business Council (MCBC) Monterey Bay <ul style="list-style-type: none"> • Inaugural year 2013 • Locally accessible to government installations • Sponsored MCBC and City of Salinas to support funds matching grant with DLA • Free face to face seminars
SBA	Located in San Diego <ul style="list-style-type: none"> • Serves San Diego and Imperial Counties • 5 satellite counseling centers • Women's business center and veterans' business program • Service Corp of Retired Executives (SCORE) counseling center 	Located in Fresno <p>approximately 157 miles from Monterey</p> <ul style="list-style-type: none"> • Serves 15 counties • No satellite counseling centers • Women and veterans business programs • SBA cluster initiative • Service Corp of Retired Executives (SCORE) counseling center

Table 5. Support Resources: San Diego County vs. Monterey County

San Diego County



Monterey County



Figure 25. Resource Collaboration Between Small Business Support Entities

Analysis. San Diego County and Monterey County have two resources in common for small business support: the SBA and PTAC. Both organizations provide specific support directly to small businesses, although differences in the age of the organizations and size of the geographic areas they serve mean that the organizations are not exactly similar.

Figure 25 portrays the relationship of buying agencies and installations in San Diego County and Monterey County with the small business specific support entities. San Diego County has more collaboration and communication with the SBA and PTAC. Given the physical locations and seasoned relationship of the SBSs and SBPs, PCR's, and PTAC Program Managers, in San Diego County support for small businesses and non-traditional suppliers is strong. In Monterey County there is a disjointed support system for small business and non-traditional suppliers. For example, Monterey County is assigned to the SBA Fresno office, over 150 miles away.

Finding. The assignment of Monterey County to the SBA district office in Fresno is a detriment because Fresno has relatively few federal and DoD procurement requirements. Both the NPS Contracting Directorate and the Monterey County Business Council, Monterey Bay PTAC just completed their inaugural year of existence in FY 2012, so these entities have the potential to grow together in collaboration and outreach support.

F. CONCLUSION

Most NPS SAT level awards dollars do not stay within the local area or the state of California. Within California, small businesses have a better chance of obtaining NPS SAT level awards in the open market than requirements solicited under IDVs. The IDV vendors located outside the Monterey County area and outside the state of California are poaching NPS SAT level dollars in procurements with little to no competition from local area vendors. The economic impact on Monterey County and the neighboring counties of Santa Cruz and San Luis Obispo is about a quarter of all the NPS SAT level dollars and awards. Even though the economic impact is substantial, nearly 75 percent of the award dollars are going out of the area.

When Monterey County and San Diego County are compared, there is only a one percent difference in the SAT level NPS awards to vendors within the two regions. In both regions small businesses prevail over large businesses. While the distribution of dollars is similar, the methods of awards are very different. The elements of the IDV and Open Market vendor pools are where the two regions most differ. San Diego has more vendors under awarded IDVs, while Monterey County only had one award on the DON IDV. Monterey County small businesses and non-traditional suppliers have a more favorable chance of obtaining an NPS SAT level award in the Open Market. The lack of IDV suppliers in Monterey County is the possible cause of SAT level dollars leaving the local area.

San Diego and Monterey County both have the SBA and PTAC as support resources for small businesses and non-traditional suppliers. The San Diego buying command, SBA, and PTAC have a close-knit relationship due to the mature federal procurement environment and seasoned relationships. In contrast, the physical location and demographics of the SBA District Office in the Central Valley city of Fresno means the SBA is not a strong resource for Monterey County small businesses. Monterey County would be better served under an SBA district office in San Francisco. The opportunity to develop and build a solid relationship with the emerging Monterey Bay PTAC might be one of the best ways to increase small business and non-traditional suppliers for NPS SAT level awards in the Open Market and on IDVs.

VI. SUMMARY, RECOMMENDATIONS AND CONCLUSION

A. INTRODUCTION

This chapter provides the answers to the research questions addressed in Introduction Chapter and an overview of the findings of this JAP. The findings have correlated recommendations for application to buying commands and small business support entities. Of the findings and recommendations the Command Small Business Maximization Model was built to have both applicability and achievability for SAT level specific buying commands small business maximization. This section will conclude by addressing future research topics for small business award maximization.

B. ANSWERS TO RESEARCH QUESTIONS

1. What specific barriers prevent small business and non-traditional suppliers from obtaining DON SAT level contract awards?

Research in this paper identified several types of barriers. Generally applicable barriers that affect potential SAT level suppliers include: (1) the complexity of contracting procedures with three separate contracting mechanisms at the SAT level; (2) national and regional vendors' aggressive pursuit of SAT level orders which represent the low-hanging fruit for large firms experienced in DON contracting; (3) disparity in small business contracting expertise across the 1105 and 1102 workforce series; (4) lack of effective competition resulting in sole sourcing to large firms.

Barriers specifically applicable at the level of a buying command include: (1) lack of small business vendors that could be identified for purposes of meeting the Small Business Reservation (set-aside) Rule of Two; (2) inconsistent use of NAICS and PSC designators for similar requirements; (3) contracting strategies favoring single offer awards and sole source awards to large firms; (4) favorability of certain IDVs to large firms; (5) lack of unified, targeted effort among the buying command, the SBA, and the PTAC to register and counsel prospective small vendors.

2. What specific indicators should be assessed by buying commands seeking to improve their small business performance in SAT level awards?

To assess achievability of SAT level specific small business goals and improve their small business contracting performance, buying commands should consider the following factors: (1) historical use of mandatory Small Business Reservation and the discretionary Small Business Jobs Act tools by the buying workforce; (2) small business participation rates across groups of NAICS subsectors and PSC portfolios; (3) small business participation rates across geographic areas, (4) small business participation across contracting mechanisms such as Open Market, FSS, and other IDVs; and (5) availability and focus of SBA and PTAC resources for targeted business and regulatory counseling for local and non-traditional suppliers.

3. How should Navy buying commands apply SAT level contracting tools and best practices to overcome barriers to small business participation?

The models of the below section and Command Small Business Maximization Model will address the above research question.

C. FINDINGS AND RECOMMENDATIONS

1. Finding: Buying Command self-assessment needed to establish realistic SAT level small business goals.

The Data Analysis section identified the characteristics of SAT level specific awards; the attainability to meet small business goals, and the opportunities for small business SAT level award growth. Buying commands can establish a base line for realistically obtaining small business goals, small improvements or changes to small business award methodology, and set incremental buying command specific small business utilization growth plan.

Recommendation: This self-assessment plan should include the specific analysis of NAICS codes and a broader analysis of the NAICS subsectors historical data of the buying command. In addition, the correlating PSC codes should be identified. By

identifying the overlapping or unrelated NAICS and/or PSC codes of the SAT level requirements, the buying command can identify small business growth opportunities.

The buying commands historical data should also identify any large business sole source awards under FAR Part 6.302. These awards are a constant variable that will affect the feasibility of obtaining the agency set FY small business award dollars goal. The Literature Review revealed that Senior Executive Leaders of commands with buying capabilities are subject to the performance evaluation of the commands small business utilization. In a buying commands self-assessment senior leadership should be given the feasibility of meeting small business goals and the supporting data for the concluding small business obtainment percentage.

2. Finding: Lack of uniformity in exercising discretion by procurement/contracting professionals the under SAT.

Identified in the Literature Review and Data Analysis sections are several references to the discretion of the buying workforce regarding small business award processes. The discretion regarding the SBR and small business set-aside practices are left to the individual procurement/contracting officials. The individual discretion may lead to various differences in processing SAT level awards.

Recommendation: Each buying command should establish cross cutting guidance that sets the foundational principals regarding criteria for mandatory and discretionary small business set-asides. This guidance should be integrated across the buying commands different government procurement functions. These foundational principals can be briefed to the local area PTAC for their support of small businesses and non-traditional suppliers. Small business vendors will have the element of consistency when working with the buying command and develop their own contractor specific internal processes to submit quality technical and price quotes.

SAT level awards are not simple and proper training and uniformity in procurement planning, solicitation, and award facilitation will create the foundational principals for all levels of commands buying workforce from the level of a cardholder under GWPC up to the highest level of procurement official at the buying command.

3. **Finding: Large Businesses are favored by single offer competitive SAT level awards.**

If the buying command self-assessment reveals a high level of single offer SAT level awards to large business one cause possibly could be due to the limited competitive vendor pool in the chosen IDV or Open Market. Another cause could be that the Open Market small business vendors are not aware of the requirements that are valued under the mandatory solicitation posting threshold.

Recommendation: The below three models show actions that the buying command, DON OSBP, and the PTAC can take in relation to increasing the competitive vendor pools in regards to small business SAT level awards.

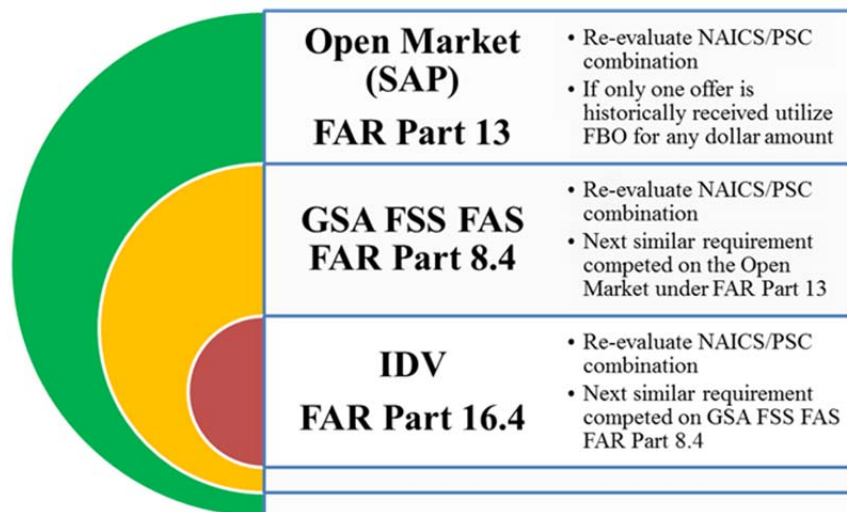


Figure 26. Buying Command Effective Small Business Competition Model

The above model, Figure 26, represents the flexibility that a buying command can utilize within the SAT level environment. The different contracting mechanisms provide different vendor pools of various small and large business suppliers. Upon identifying the correct contacting environment where the most small business vendors are competitively located, the issue of single offer awards to large businesses should decline.

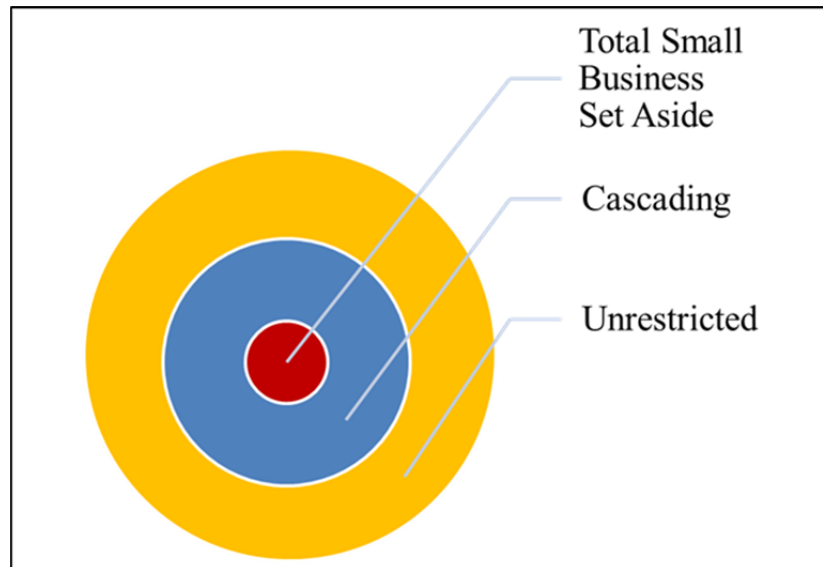


Figure 27. Buying Commands Small Business Requirements Expansion Model
(Solicitation Methods to Include Cascading/Tiered Evaluation Under DFARS
215.203–70)

Currently, the Rule of Two capable small businesses has to be identified to use the SBR and RFQ solicitations as a Total Small Business Set Aside. If the command cannot identify or provide adequate market research for the procurement/contracting professional then the requirement is posted as “unrestricted.” If the requirement cannot utilize the SBR then large business and small business have equal opportunity for the award, in both Open Market and IDVs. By incorporating the cascading strategy of DFARS 215.203–70 into Open Market and IDV requirements as shown in Figure 27, the buying command can allow for technically capable small business to be eligible for award based on the procurement official’s discretionary determination of fair and reasonable pricing. To promote wider use, this model and method should be endorsed by DON OSBP guidance.

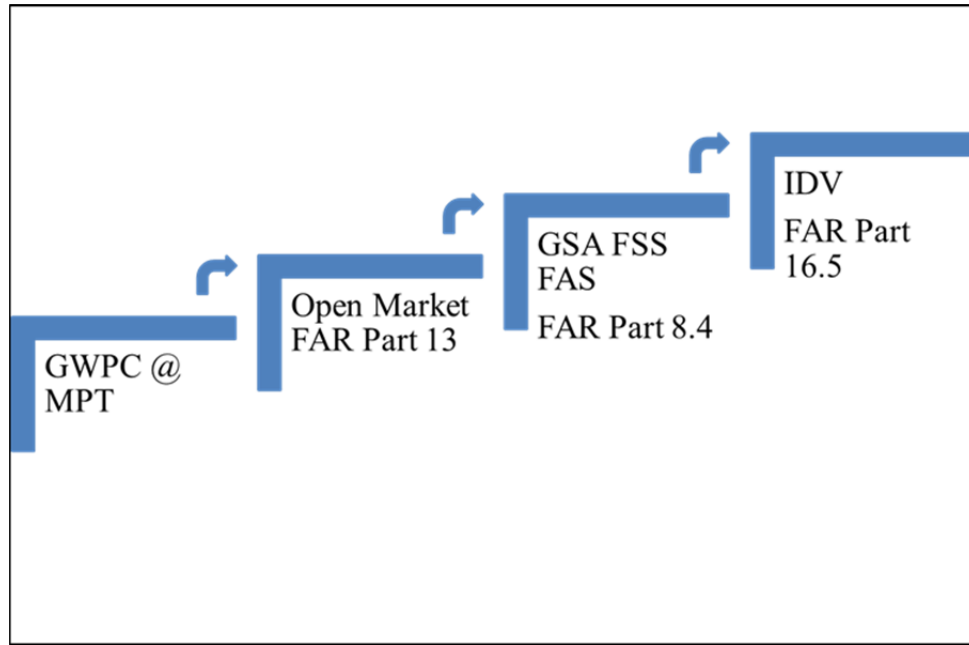


Figure 28. PTAC Vendor Readiness Ascension Model (Steps to Small Business Success and Increasing Small Business Vendor Pools Utilized by Buying Commands)

The small business support function of the PTAC should include a targeted small business progression plan. Instead of providing support on a walk-in or call-in basis, a local PTAC and, if needed, SBA, will should be registering and certifying small firms based on the specific industrial sectors where a particular command is deficient in locating small business suppliers. Further, a local PTAC will be focused on qualifying small firms for participation in the Governmentwide Purchase Card Program and in the contracting mechanisms of FAR Parts 13, 8.4, and 16.5 as used by a particular buying command. This recommendation will increase the competitive small business vendor pools for the buying command's SAT level requirements and will allow non-traditional suppliers the opportunity to become a consistent government small business provider.

D. BUYING COMMAND SMALL BUSINESS MAXIZATION

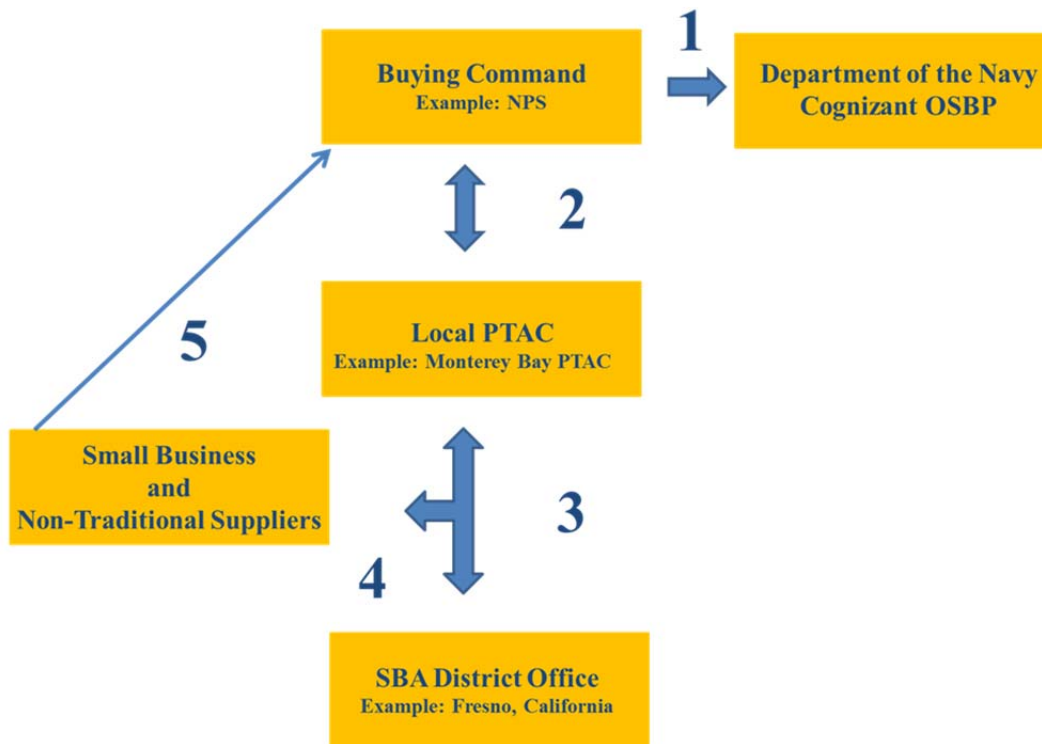


Figure 29. Buying Command Small Business Maximization Model

Step 1: The buying command has a responsibility to inform the cognizant DON OSBP of the commands self-assessment results, realistically achievable goals, and identified areas for additional small business training. In addition, the NAICS codes/subsectors and PSC codes for the particular buying command should be submitted to the cognizant DON OSBP for use in future sourcing initiatives of the DON.

Separately, upon self-assessment, the buying command can establish cross cutting guidance identifying contracting mechanisms as well as NAICS and PSC combinations that favor small business awards.

In the example of NPS; the NPS Contracting Directorate will have an assessment of obtainable small business goals, small business specific training, and opportunities of future small business award growth opportunities.

Step 2 and 3: The buying command provides buying specific information derived from their self-assessment to the PTAC and SBA regarding SAT level awarding contracting mechanisms utilized, the buying workforce make up, and NAICS and PSC information. Based on this information the PTAC and SBA have a focused targeted effort for seeking out and registering potential small business vendors that may be able to provide increased competition for the buying commands SAT level requirements.

In the example of NPS, the Monterey Bay PTAC, and SBA Fresno District Office; the buying command could provide information for the local PTAC and SBA to seek out and tailor small business and non-traditional supplier support. This approach is different than the current situation in which a small business or non-traditional supplier initiates contact with the PTAC and/or SBA.

The relationship between the Monterey County specific small business support entities of the PTAC and SBA has an opportunity to grow with the results to be similar to the San Diego County environment. A possible deterrent is that the SBA District Office in Fresno is geographically removed from the buying command of NPS and also the Monterey Bay PTAC. Relocating Monterey County under the San Francisco SBA District Office could possibly benefit local small businesses and non-traditional suppliers

Step 4: The PTAC and SBA relationship with the potential small business and non-traditional suppliers will possibly have a more customized level of support facilitated by the information provided by the area buying commands. The relationship and support of the three entities: small business/non-traditional supplier, PTAC, and SBA is essential to increasing the number of capable small businesses under the contracting mechanisms utilized by buying commands.

Step 5: Small businesses and non-traditional suppliers are able to submit technically capable responses to buying commands SAT level requirements under various contracting mechanisms. Potentially, small business competition will increase as large business single offer awards decrease. In addition, the possibility of identifying the Rule of Two will become more frequent and result in an increase of total small business set-asides in SAT level requirements.

E. FUTURE RESEARCH RECOMMENDATIONS

Data in this paper highlights the need for additional research areas to be expanded in a joint Acquisition Research Program. Specifically, these areas include legal and systemic impediments faced by contracting officers and purchasing agents in their market research for small business suppliers for SAT level awards as well as impediments to proper and consistent use of NAICS and PSC codes. These areas would also include legal and systemic impediments faced by the industry to identifying SAT level contracting requirements sought by the government. To enhance small business participation, future research should also consider targeted command-level measures to enhance small business SAT level contracting within manufacturing, services, R&D, and similar industrial sectors, as well as potential regulatory and policy changes that could be implemented by the DON and SBA to enhance small business participation in SAT level awards.

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APPENDIX

A. BARRIERS, TOOLS, AND BEST PRACTICES OF SMALL BUSINESS INFORMATIVE TABLE NOTES

<u>Barriers Identified</u>	<u>Tools to Over Come Barriers</u>	<u>Best Practices</u>
House Committee on Armed Services: Challenges in Doing Business with the Department of Defense	FAR	NMCCAR – 5219.202
Lack of information and DoD interaction with vendors, especially small and medium businesses	13.003 – SAT automatically set-aside	Should conduct briefings on planned SB acquisitions
Industrial base is not investing R&D dollars with DoD	19.502–2 – Rule of Two Discretion	Characteristics of Small Business Contracting; SBA Eagle Eye
Knowledge Gap with KO's	Memo – Advancing SB Contracting Goals	High rate of New Small Business (non-traditional)
Lack of KO and PM collaboration leads to confusion to industry	Senior Leadership Accountable	SB makes up large percent of total contacts
Short solicitation periods	Senior Leadership Accountable for SB supporting command mission support	Utilize SB more intensely
Lack of posting under 25K	Memo – Meeting SB Goals	Retain SB participation longer
DoD request in-depth quotes/proposals that SB are not resources for	Under SAP goal is 86.18percent	Have both Service and Manufacturing Requirements
Complex set of rules FAR, DFAR, NMCCAR	Memo-SB in Purchase Card	Negotiate contracts with small even for large procurements

Table 6. Barriers, Tools, and Best Practices of Small Business Informative Table Notes

**A. BARRIERS, TOOLS, AND BEST PRACTICES OF SMALL BUSINESS
INFORMATIVE TABLE NOTES (CONT.)**

<u>Barriers Identified</u>	<u>Tools to Over Come Barriers</u>	<u>Best Practices</u>
Long procurement lead times	Under 3K go to small business (6 billion)	Task and delivery orders per contact or lower
	Cardholders more/re-training to utilize SB	More FFP contracts
The Washington Post	SEC. 891	
45percent of SAT awards going to large business	Identify non-traditional suppliers	
	Outreach	
House of Representatives Testimony	PTAC	
Cumbersome difficult process to get on MAC		
Minimum sales guaranteed \$2,500		
Minimum sales must achieve to stay on \$25,000		
Existing statutes or regulation block out SB		

Table 6. Barriers, Tools, and Best Practices of Small Business Informative Table Notes (cont.)

B. SUMMARY OF SURVEY DATA

Entity	Barriers	Tools	Best Practices
NAVFAC Engineering Expeditionary Warfare Center	<i>Government Required Paperwork</i>	<i>Outreach</i>	<i>Agency Training Modules</i>
Acquisition (EXWC) (Small Business Professional, 2012)	<i>Past Performance</i>	<i>SB Set-Asides on MAC's</i>	<i>SB Smaller Product Procurement</i>
	High Number of LB on MAC's	<i>SAP</i>	<i>Tasks at Lower Dollar Amounts for SB Set Asides</i>
	Customer (Gov Agency) Not Finding SB Capable		

Table 7. Summary of Survey Data

B. SUMMARY OF SURVEY DATA (CONT.)

Entity	Barriers	Tools	Best Practices
FLC SD (Small Business Professional, 2012)	<i>Past Performance</i>	<i>Outreach</i> <i>2579 Process</i> <i>Collaboration with Other Agencies</i> <i>SBA and PTACs</i>	<i>GWPC Holders and Purchasing Agents being Trained in SB Procedures, Policy, and Guidance</i> <i>Build a Relationship with the Buying Commands</i>
SPAWAR (Small Business Professional, 2012)	<i>Poor Information From Vendors</i> <i>Not Enough Past Performance</i>	<i>Outreach</i> <i>Sr. Leadership Support</i> <i>PTAC + SBA + Agency</i> <i>Sharing Information and Resources</i>	<i>Working Groups and Round Table Discussions with Vendors</i> <i>Letting Vendors Know What the Procurement Needs Are of Agency</i>

Table 7. Summary of Survey Data (cont.)

B. SUMMARY OF SURVEY DATA (CONT.)

Entity	Barriers	Tools	Best Practices
SBA Regional Office Glendale (PCR, 2013)	Too Many Unrestricted NAICS Requests from Agency <i>Too Much Effort for SB to Work on Proposals</i> <i>SB Lack of Visibility for SAP and micro purchase</i> Requirements Not Being Set Aside for SB	<i>Outreach</i> <i>Agency SBO + PCR + Contracting Officer</i> <i>Other Agency Support</i>	<i>Building a Relationship with the Agencies</i> Agency Visits

Table 7. Summary of Survey Data (cont.)

B. SUMMARY OF SURVEY DATA (CONT.)

Entity	Barriers	Tools	Best Practices
SBA Regional Office San Diego (Procurement Center Representative, 2012)	LB Not Wanting to Hand Hold SB in Big Contracts	<i>Outreach</i>	<i>Refer Vendors to PTAC</i>
	<i>Too Much Information Required to Respond to RFP and RFQ's</i>	<i>SAP</i>	<i>Build a Relationship with SBP and SBS of Agencies</i>
	<i>Short Posting Times</i>	<i>Small Business as Subcontractor</i>	Conduct Market Research if SB Not Set-Aside
	<i>MAC's Too Restricting and Requiring Too Much Information for SB</i>	Supporting Agency's Market Research	
	<i>Overwhelmed KO's</i>		
	<i>Low Attendance at Outreach Events</i>		

B. SUMMARY OF SURVEY DATA (CONT.)

Entity	Barriers	Tools	Best Practices
PTAC Riverside (Program Manager, 2012)	<i>Requirements Under 25K Not Posted on FBO</i> <i>How to Obtain an IDV Award is a “Secret”</i> <i>Low Attendance at Outreach</i> Lack of Ramp on for SeaPort	<i>Outreach</i> <i>SAP</i> Micro Purchases <i>SB as Subcontractors</i> Local Business Groups	One on One Vendor Support <i>Know the Buying Commands Needs</i> Team with Area Chambers of Commerce

Table 7. Summary of Survey Data (cont.)

B. SUMMARY OF SURVEY DATA (CONT.)

Entity	Barriers	Tools	Best Practices
PTAC San Diego (Program Manager, 2012)	<i>Under 25K Not Posted</i> <i>IDV Difficult to Access How to Get On</i> <i>Submission Quality From SB is Low</i> <i>SB Do Not Have Resources to Dedicate to RFP/RFQ</i> 80percent of Requirements Fulfilled by SeaPort, Schedules, or IDIQ's <i>Most SAP Requirements Are Not seen by The Public</i>	<i>Outreach</i> <i>SB as Subcontractors</i>	<i>Communicate with Buying Agencies</i> SB Conduct Good Market Research <i>Identify What the Gov. Buys and How</i> SB Should Be Aggressive to Get on IDVs

Table 7. Summary of Survey Data (cont.)

C. NORTHERN CALIFORNIA NPS PROCUREMENTS FUNDED UNDER SAT (FPDS, 2013)

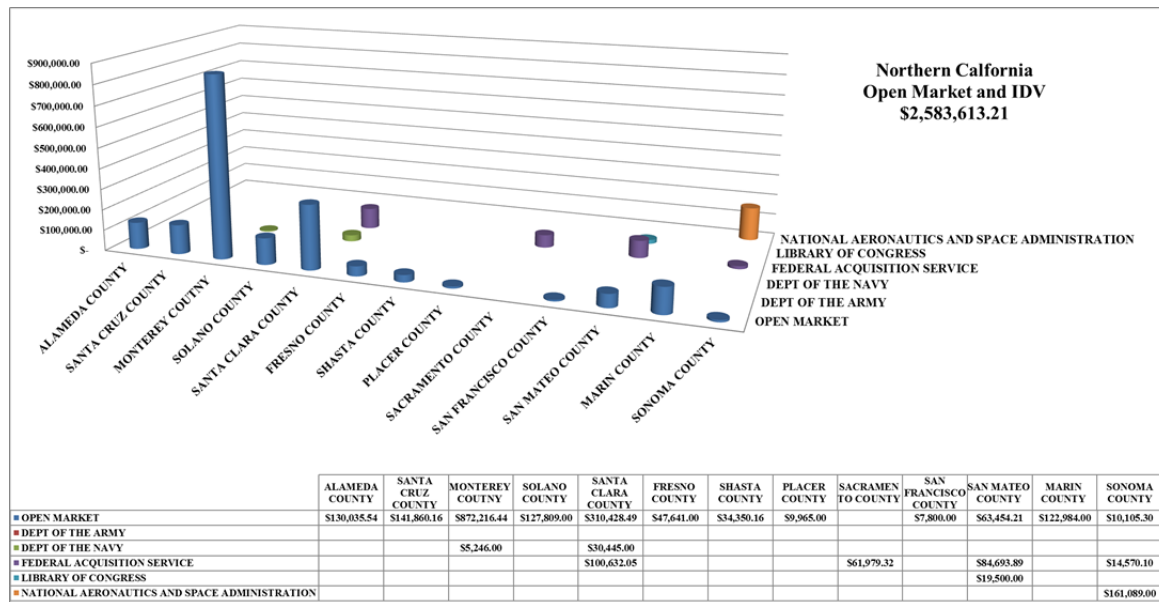


Figure 30. Northern California Open Market and IDV SAT Level Awards

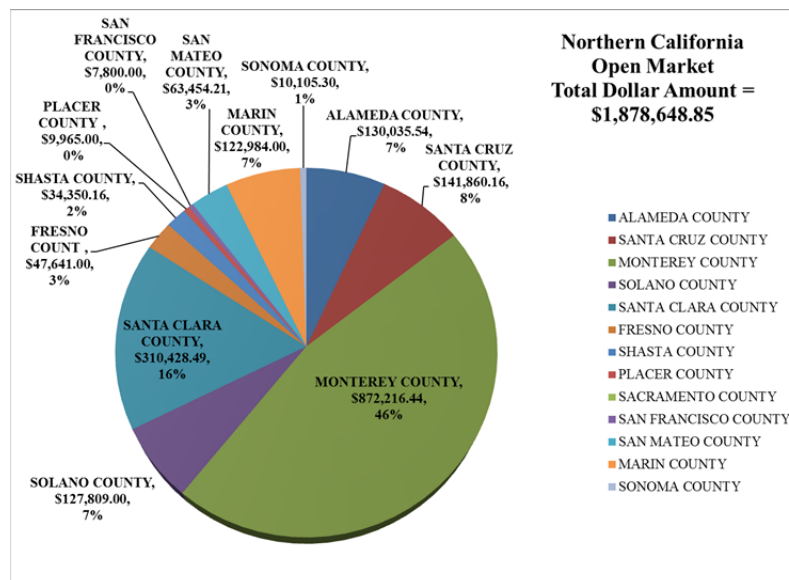


Figure 31. Northern California Open Market SAT Level Awards

D. SOUTHERN CALIFORNIA NPS PROCUREMENTS FUNDED UNDER SAT

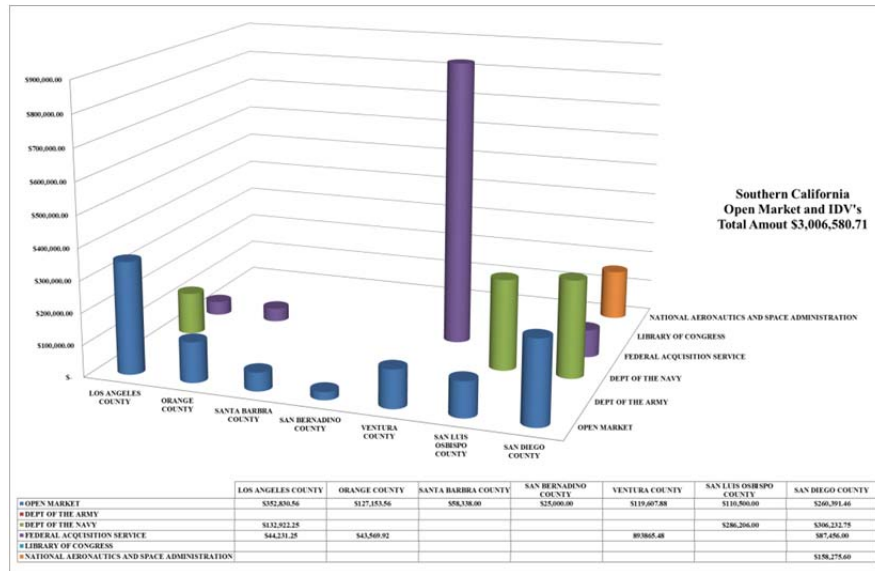


Figure 32. Southern California Open Market and IDV SAT level Awards

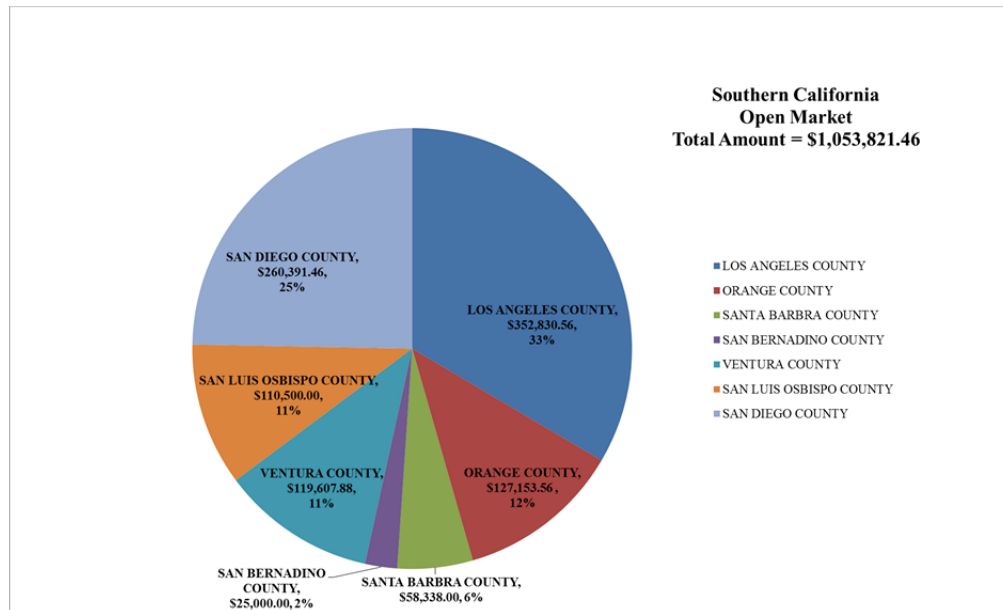


Figure 33. Southern California Open Market SAT Level Awards

E. LIST OF GOVERNMENT AND EDUCATIONAL AGENCIES IN MONTEREY COUNTY (SRI, 2011)

- United States Geological Survey (USGS)
- Naval Postgraduate School (NPS) – Navy DoD
- U.S. Army Presidio of Monterey (Army POM) – Army DoD
- National Weather Service (NWS): San Francisco Monterey Bay Area Weather Forecast Office
- National Oceanic and Atmospheric Administration (NOAA)
- Defense Language Institute Foreign Language Center (DLI) – ARMY DoD
- Defense Personnel Security Research Center - DoD
- DoD Manpower Data Center (DMDC) - DoD
- U.S. Coast Guard Station Monterey (USCG) – USCG DoD
- Fleet Numerical Meteorology and Oceanography Center (FNMOC) – Navy DoD
- Central Coast Resource Conservation and Development Council
- Natural Resources Conservation Service: Salinas Service Center
- Monterey Bay National Marine Sanctuary
- California Coastal National Monument
- Fort Ord: Public Lands: Hollister Field Office
- Naval Research Laboratory Marine Meteorology Division
- Fort Hunter Liggett DoD
- Camp Roberts DoD
- California Fish and Game
- Defense Language Institute Foreign Language Center (DLI)
- Defense Manpower Data Center (DMDC)
- Fleet Numerical Meteorology and Oceanography Center (FNMOC)
- National Oceanic and Atmospheric Administration (NOAA)
- Naval Postgraduate School (NPS)
- Naval Research Laboratory (NRL)
- The Panetta Institute for Public Policy

F. SMALL BUSINESS SOCIO ECONOMICAL VENDOR PRESENCE SAN DIEGO COUNTY VS. MONTEREY COUNTY (SBA, 2013)

Table 8. San Diego Count and Monterey County Total Number of Small Businesses

San Diego County (SBA.gov)	# of SB	Monterey County (SBA.gov)	# of SB
Small Business	1279	Small Business	86
Veteran Owned SB	503	Veteran Owned SB	32
HUBZone Certified SB	64	HUBZone Certified SB	0
8 (a) Certified	103	8 (a) Certified	2
Service-Disabled Veteran SB	268	Service-Disabled Veteran SB	14
Small Disadvantaged Business	86	Small Disadvantaged Business	1
Woman or Woman Owned SB	671	Woman or Woman Owned SB	22
Total Number of Small Business	2974	Total Number of Small Business	157

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